

# Tayside Valuation Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

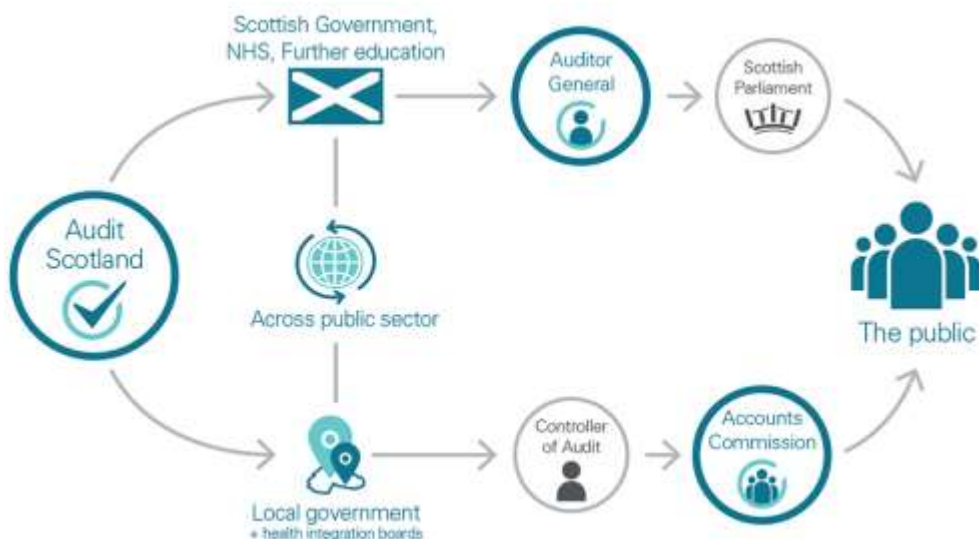
To Members of Tayside Valuation Joint Board and the Controller of Audit

August 2017

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Contents

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|  |           |
|--|-----------|
| Key messages                                       | 4         |
| Introduction                                       | 5         |
| <b>Part 1</b>                                      | <b>7</b>  |
| Audit of 2016/17 annual accounts                   |           |
| <b>Part 2</b>                                      | <b>10</b> |
| Financial management                               |           |
| <b>Part 3</b>                                      | <b>12</b> |
| Financial sustainability                           |           |
| <b>Part 4</b>                                      | <b>14</b> |
| Governance and transparency                        |           |
| <b>Part 5</b>                                      | <b>16</b> |
| Value for money                                    |           |
| <b>Appendix 1</b>                                  | <b>18</b> |
| Action plan 2016/17                                |           |
| <b>Appendix 2</b>                                  | <b>20</b> |
| Significant audit risks identified during planning |           |
| <b>Appendix 3</b>                                  | <b>22</b> |
| Summary of national performance reports 2016/17    |           |

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# Key messages

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## Audit of the 2016/17 annual accounts

- 1 Our audit opinion was unqualified. This covered the financial statements, management commentary, remuneration report and the annual governance statement.
- 2 Significant changes to the Management Commentary were required in order that it complied with the requirements of the Code.
- 3 The working papers provided in support of the annual accounts were of a good standard.

## Financial management

- 4 Board members and senior management scrutinise and monitor the joint board's finances. The joint board operated within budget, leaving the general reserve balance unchanged from 2015/16 at £0.103 million.
- 5 Controls relating to financial systems and procedures are designed appropriately and operating effectively.

## Financial sustainability

- 6 The joint board's financial position is sustainable in the short term. However without any medium/long term financial scenario planning it is difficult to assess whether future demand and reductions to funding to councils will place a strain on the joint board's capacity to deliver services at the current levels.

## Governance and transparency

- 7 The joint board has appropriate arrangements in place that support scrutiny of decisions.
- 8 The joint board is open and transparent in the way that it conducts its business, with the public able to attend meetings.

## Value for money

- 9 The performance management framework provides the joint board with information to evidence progress with performance.
- 10 Non-financial performance information is regularly monitored by management but is only presented to members annually. Non-financial performance for 2016/17 has been mixed.

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# Introduction

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1. This report is a summary of the findings arising from the 2016/17 audit of Tayside Valuation Joint Board (the joint board).

2. The scope of the audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Joint Board (the Board). This report comprises:

- an audit of the annual accounts
- consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

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## Exhibit 1

### Audit dimensions



Source: Code of Audit Practice 2016

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3. The main elements of our audit work in 2016/17 have been:

- an interim audit of the main financial systems and governance arrangements
- audit work covering arrangements for securing Best Value relating to financial management and financial sustainability
- an audit of the 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions.

4. The joint board is responsible for preparing annual accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

- 5.** Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.
- 6.** As public sector auditors we provide an independent auditor's report on the annual accounts. We also review and report on the arrangements within the joint board to manage its performance and use of resources such as money, staff and assets. Additionally, we report on the joint board's best value arrangements. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
- 8.** This report raises matters from the audit of the annual accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
- 9.** Our annual audit report contains an action plan at Appendix 1. It sets out specific recommendations, responsible officers and dates for implementation.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both the Board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
- 12.** We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

# Part 1

## Audit of 2016/17 annual accounts



### Main judgements

**Unqualified audit opinions on the annual accounts.**

**Significant changes to the Management Commentary were required in order that it complied with the requirements of the Code.**

**The working papers provided in support of the annual accounts were of a good standard.**

### Audit opinions

**13.** The annual accounts for the year ended 31 March 2017 were approved by the Tayside Valuation Joint Board on 28 August 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary, remuneration report and annual governance statement.

**14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual accounts are the principal means of accounting for the stewardship of the joint board's resources and its performance in the use of these resources.

### Submission of annual accounts for audit

**15.** We received the unaudited annual accounts on 22 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan.

**16.** The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

### Risk of material misstatement

**17.** Appendix 2 provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and our conclusions.

### Materiality

**18.** Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view).

The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

19. On receipt of the annual accounts we reviewed our materiality calculations. The materiality levels set for the joint board are summarised in Exhibit 2.

## Exhibit 2

### Materiality values

| Materiality level   | Amount  |
|---|---------|
| <b>Overall materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.   | £38,600 |
| <b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of overall materiality. | £29,000 |
| <b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality.  | £2,000  |

Source: Audit Scotland

### How we evaluate misstatements

20. All misstatements identified during the audit, which exceeded our reporting threshold, have been amended in the financial statements.

21. A small number of presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. None of these adjustments had an impact on the overall position.

### Significant findings

22. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3](#) (where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included).

## Exhibit 3

### Significant findings from the audit

| Issue   | Resolution  |
|---|---|
| <b>1. Errors in accounting for year end creditors and debtors</b> | The 2016/17 annual accounts have been amended to include the appropriate transactions and balances. |



| Issue   | Resolution  |
|---|---|
| <p>An invoice for £0.058 million for services provided in 2016/17 was paid in April 2017 and accounted for as a 2017/18 service. The sum was not included as expenditure for 2016/17 and not included as a creditor in 2016/17. The equivalent sum, recoverable from constituent authorities' requisitions was also excluded from 2016/17 income and was the debtors balance as at 31 March 2016. These errors had no impact on the joint board's financial position.</p> |   |
| <p><b>2. Management Commentary - non-compliance with Guidance and Regulations</b></p> <p>A number of disclosures required by extant guidance and Regulations had not been presented appropriately in the Management Commentary. This required a significant amendment to the Management Commentary.</p>   | <p>The annual accounts have been amended to include the appropriate disclosures.</p> <p><a href="#">Action Plan (Appendix 1, point 1)</a></p> |
| <p>Source: Tayside Valuation Joint Board Annual Accounts 2016/17</p>  |   |

## Going concern

**23.** The financial statements of the joint board have been prepared on the going concern basis. The financial statements show net liabilities of £7.628 million, with a £7.716 million long term liability relating to the joint board's retirement benefit obligation. As this obligation does not fall due within one year, it is not considered to impact on the going concern assumption.

## Objections

**26.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The joint board complied with the regulations. No objections were received in relation to the joint board's accounts.

# Part 2

## Financial management



### Main judgements

Members and senior management scrutinise and monitor the joint board's finances. The joint board operated within budget, leaving the general reserve balance unchanged from 2015/16 at £0.103 million.

The joint board has appropriate internal controls in place within main financial systems and our testing confirmed that these were operating effectively. We did not identify any significant internal control weaknesses.

### Financial performance in 2016/17

**24.** The Board approved a budget of £2.859 million for 2016/17, with £2.836 million to be met from constituent authorities' requisitions and £0.023 million from general reserve. This was a reduction of £0.023 million (0.8%) from the approved 2015/16 Revenue Budget.

**25.** The financial performance of the joint board during 2016/17 was such that it did not require any sums to be taken from the General Reserve, which remained at £0.103 million (2015/16 £0.103 million).

**26.** While the joint board has remained within budget, there are variations in some areas of the service. The more significant variations are summarised in [Exhibit 4](#).

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### Exhibit 4

Summary of significant variations against budget

| Area                      | Variance<br>Favourable/<br>(unfavourable) | Reason(s) for variance  |
|---------------------------|---|---|
| Supplies & Services       | £0.18 million                             | Additional printing, IT and postage costs incurred on Individual Electoral Registration |
| Non-Specific Grant Income | £(0.19) million                           | Additional grant income to cover additional costs of Individual Electoral Registration. |

Source: Tayside Valuation Joint Board Annual Accounts 2016/17

## Budgetary monitoring and control

**27.** The 2017/18 budget was approved by the Board in January 2017. Management continue to work closely with constituent authorities to anticipate the impact of future local government settlements.

**28.** The Board receives financial monitoring reports at each of the quarterly Board meetings. From our review of these reports and attendance at Board meetings we concluded that they provided an overall picture of the budget position at service level. Also, the reports forecast out-turn position for the year and include good narrative explanations for significant variances against budget. They allow members and officers to carry out scrutiny of the joint board's finances.

## Financial capacity within Tayside Valuation Joint Board

**29.** Dundee City Council's Executive Director of Corporate Services (Section 95 officer) has the role of Treasurer with responsibility for finance, and has direct access to the Assessor and the Board. We concluded that the Section 95 officer has appropriate status within the joint board and complies with the principles set out in CIPFA's *Role of the Chief Financial Officer (2016)*.

## Internal controls

**30.** Dundee City Council, as host authority, provides support in some key areas of business, particularly in finance, legal and information technology.

**31.** As part of our audit we identified and inspected the key internal controls in a number of the systems used by Dundee City Council for the processing and recording of transactions and the preparation of the financial statements of the joint board. Our objective was to gain assurance that the joint board has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**32.** No significant control weaknesses were identified which could affect the joint board's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Prevention and detection of fraud

**33.** We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the joint board's arrangements including policies and codes of conduct for staff and elected members, whistleblowing and fraud prevention.

**34.** Based on the evidence reviewed by us, we concluded that the joint board has adequate arrangements for the prevention and detection of fraud.

# Part 3

## Financial sustainability



### Main judgement

**The joint board's financial position is sustainable in the short term. However without any medium/long term financial scenario planning it is difficult to assess whether future demand and reductions to funding to councils will place a strain on the joint board's capacity to deliver services at the current levels.**

### Financial planning

**35.** It is important that longer-term financial strategies are in place which link spending to the joint board's strategies. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on the joint board.

**36.** The *Local Government in Scotland: Financial overview 2015/16* (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending and should be linked to the organisation's business objectives. The updated corporate plan and service plan was approved by the Board in June 2017 and it is key that the joint board's budget and savings plans are aligned to the priorities within this plan.

**37.** The joint board continues to face a number of challenges in maintaining a sustainable financial position in future. These include the budget being prepared against a backdrop of increasing budget pressures in the councils and some degree of uncertainty around their funding and expenditure priorities.

**38.** The business plan currently does not contain financial projections over the period of the plan. Instead the budget is set annually. The joint board's budget for 2017/18 was approved in January 2017.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Recommendation 2

**The joint board should develop medium/long term plans aligned to its approved corporate plan and service plan.**

**39.** The joint board holds a general fund reserve, the main purpose of which is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows. The usable reserves held by the joint board at 31 March 2017 remained at the same level as 31 March 2016, at £0.103 million.

**40.** The joint board reviews the level of its reserves when setting the budget each year. The joint board's approved reserves strategy specifies that uncommitted

reserves should be £0.06 million (around 2% of net expenditure) and therefore the joint board's level of uncommitted general reserve as at 31 March 2017 exceeds the reserve strategy. The revenue budget for 2017/18 includes a budgeted transfer from General Reserve of £0.026 million in order to maintain the current requisition levels. If this crystallises, the general reserve will reduce to £0.077 million, which will still exceed the current reserve policy.

**41.** We consider the joint board's financial position to be sustainable in the short term, however further information, including scenario planning, would be required to conclude on long term financial sustainability.

# Part 4

## Governance and transparency



### Main Judgements

**The joint board has appropriate arrangements in place that support scrutiny of decisions.**

**The joint board is open and transparent in the way that it conducts its business, with the public able to attend meetings. Minutes of Board meetings and agenda papers and other key documents are available on the joint board's website for public inspection.**

### Governance arrangements

**42.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

**43.** Members and management of the joint board are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

**44.** Based on our observations and audit work performed during 2016/17, we concluded that the joint board has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision-making.

### Management commentary, annual governance statement and remuneration report

**45.** The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires local government bodies to prepare and publish, along with their financial statements, an annual governance statement, management commentary and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. As noted at exhibit 3, amendments were required to the management commentary to bring the Commentary into line with extant guidance and Regulations.

**46.** Based on our knowledge and work performed, we have concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

## Internal Audit

**47.** Internal audit provides senior management and elected members with independent assurance on the joint board's overall risk management, internal control and corporate governance processes.

**48.** The internal audit function is carried out by Henderson Loggie who were re-appointed internal auditors for 3 years commencing April 2016. We carried out a review of the adequacy of the internal audit function and concluded that overall, the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place..

**49.** To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we considered internal audit report findings as part of our wider dimension work.

## Transparency

**50.** Transparency means that the public has access to understandable, relevant and timely information about how the joint board is taking decisions and how it is using resources such as money, people and assets.

**51.** The joint board demonstrates a commitment to transparency with meetings of the Board open to members of the public, agendas and minutes of Board meetings available on the joint board's website. Key documents including the annual accounts, business and service plans and annual performance reports are also available on the website.

**52.** Overall, we concluded that the joint board conducts its business in an open and transparent manner.

## Equalities

**53.** The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality as part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

**54.** The Board approved its annual equalities mainstreaming report at its June 2017 meeting. The report includes details of progress made towards achieving equality outcomes and sets out the equality outcomes towards which progress will be monitored over the next four years and includes information on the gender pay gap analysis.

**55.** We have concluded that the joint board is meeting the statutory requirements for publication of equalities information.

# Part 5

## Value for money



### Main judgement

The performance management framework provides the joint board with information to evidence progress with performance.

Non-financial performance information is regularly monitored by management but is only presented to members annually. Non-financial performance for 2016/17 has been mixed.

### Performance management

56. The joint board has an established performance management framework that managers clearly understand, and this provides a sound base for monitoring improvement. The framework includes financial performance information and a number of key sources of non-financial performance information.

57. The non-financial performance information includes:

- Valuation Roll and Council Tax key performance indicators set by the Scottish Assessors Association in conjunction with the Scottish Government
- Electoral registration performance standards set and monitored by the Electoral Commission.

58. Financial performance information is presented to members each quarter. Non-financial performance information is regularly monitored by management but is only presented to the members annually, in the form of an Annual Performance Report. Non-financial performance information for 2016/17 was not presented to members until June 2017.

Value for money is concerned with using resources effectively and continually improving services.

### Recommendation 3

**Non-financial performance information should be reported to members on a regular basis.**

59. The performance management framework provides the joint board with information to evidence progress with performance.

### Overview of performance targets

60. The joint board has demonstrated good financial performance in 2016/17, having remained within budget.



**61.** Performance in relation to the Non Domestic Rates (NDR) Valuation Roll and the Council Tax Valuation List focusses on how quickly new or altered entries are processed. Performance in these areas has been mixed, with NDR valuations deteriorating in 2016/17 (and falling short of the three month target) and Council Tax valuations improving (and exceeding targets). This is demonstrated in Exhibit 5. We have been advised that the fall in the performance on NDR Valuation was a factor of significant additional work resulting from the NDR Revaluation 2017.

## Exhibit 5

### Performance against non-financial indicators

| Target   | Performance 2016/17 | Performance 2015/16 |
|--|---------------------|---------------------|
| <b>NDR Valuation Roll</b>  |                     |                     |
| Time taken to process new or altered entries on the Valuation Roll | 3 months: 73.8%     | 3 months: 78.3%     |
|  | 6 months: 89.6%     | 6 months: 92.6%     |
| Within 3 months: 75%   |                     |                     |
| Within 6 months: 88%   |                     |                     |
| <b>Council Tax</b>   |                     |                     |
| Time taken to process new entries on the Valuation Listing         | 3 months: 95.5%     | 3 months: 94.5%     |
|  | 6 months: 98.7%     | 6 months: 98.3%     |
| Within 3 months: 90%   |                     |                     |
| Within 6 months: 98%   |                     |                     |

Source: Tayside Valuation Joint Board annual accounts 2015/16 and 2016/17

**62.** In regard to the Electoral Register performance, the joint board notes in its Management Commentary that the electoral registration service in Angus and Perth & Kinross has met or exceeded all standards scrutinised for 2016/17 the joint board does not provide the electoral registration service in Dundee).

### National performance audit reports

**63.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to joint board. These are outlined in Appendix 3.

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

| Page no. | Issue/risk   | Recommendation  | Agreed management action/timing  |
|----------|--|---|--|
| 9        | <p><b>1. Management Commentary: non-compliance with guidance and Regulations</b></p> <p>A number of disclosures required by extant guidance and Regulations had not been presented appropriately in the Management Commentary.</p> <p><b>Risk: The accounts may not comply with current guidance and Regulations.</b></p>                    | <p>The joint board should ensure that there is a process in place to ensure that the requirements of existing guidance and Regulations are met.</p> | <p>The Management Commentary has been amended to ensure compliance with guidance and Regulations.</p> <p>Any further requirements will be reflected in future years.</p> <p><b>Responsible officer:</b><br/>Treasurer</p> <p><b>Action by:</b> June 2018</p>   |
| 12       | <p><b>2. Financial planning</b></p> <p>The joint board does not consider medium or long term financial planning as part of its business planning or budget setting process.</p> <p><b>Risk: The joint board may fail to set realistic targets in its business plans or is unable to achieve its objectives due to lack of resources.</b></p> | <p>The joint board should develop medium/long term plans aligned to its recently approved updated Corporate Plan and Service Plan.</p>              | <p>Medium and Longer term financial planning is problematic when taking cognisance of the pressure placed on public finances. This is particularly so when the constituent authorities do not budget on a multi year basis. The Joint Board has an effective Business Continuity and Risk Management process, which includes consideration of financial factors.</p> <p>Notwithstanding the above, the, Joint Board will identify and evaluate options for considering medium and longer term planning into the budgeting process during 2017/2018.</p> <p><b>Responsible officer:</b><br/>Treasurer</p> <p><b>Action by:</b> January 2018</p> |
| 16       | <p><b>3. Performance management</b></p>  | <p>Non-financial performance information should be</p>  | <p>The Joint Board Management Team actively</p>  |



Page  
no.

**Issue/risk**

**Recommendation**

**Agreed management  
action/timing**

Non-financial performance information is monitored by management, but is only reported annually to members. There is a significant time lag between the availability of performance information and scrutiny by members.

***Risk: Members may not be provided with performance information timeously to enable them to carry out their scrutiny role.***

reported to members on a regular basis.

monitor non-financial operational performance, on a regular basis. However, the nature of many of the performance indicators make it problematic to present and report on them, in a meaningful and effective way part way through the financial year.

Notwithstanding the above, the Joint Board will identify and evaluate options for considering reporting non-financial performance information to the Joint Board, on an interim basis, during 2017/2018.

**Responsible officer:**  
Assessor

**Action by:** June 2018

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our opinion on the financial statements.





















| Audit risk  | Assurance procedure  | Results and conclusions  |
|---|--|--|
| <b>Risks of material misstatement in the financial statements</b>   |  |  |
| <p><b>1 Risk of fraud over expenditure</b></p> <p>ISA 240 <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i> include certain requirements relating to the auditor's consideration of fraud. The Code of Audit Practice requires consideration of risk of fraud over expenditure. Tayside Valuation Joint Board incurs significant expenditure which requires audit coverage.</p> | <ul style="list-style-type: none"> <li>assessment and walk-through of key financial controls over expenditure.</li> <li>detailed testing of transactions focusing on the areas of greatest risk.</li> </ul>  | <p>No significant issues were found in relation to controls in place across the key financial systems. We reviewed expenditure transactions during the year – no issues highlighted in relation to the risk of fraud over expenditure.</p> <p>We reviewed the joint board's involvement in the National Fraud Initiative highlighting improvements including:</p> <ul style="list-style-type: none"> <li>formal reporting of progress to Board members</li> <li>the timeous completion of recommended matches.</li> </ul>                        |
| <p><b>2 Risk of management override of controls</b></p> <p>Management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>  | <ul style="list-style-type: none"> <li>detailed testing of journals</li> <li>review of accounting estimates for bias.</li> <li>focussed testing of accruals and prepayments.</li> <li>evaluating significant transactions that are outside the normal course of business.</li> </ul> | <p>Journal entry adjustments were tested and no indications of management override of controls were found.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable. No issues were highlighted with the judgements and estimates applied.</p> <p>We confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>We reviewed transactions during the year – no issues were highlighted where significant transactions outside the normal course of business.</p> |
| <p><b>3 Estimation and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas such as</p>   | <ul style="list-style-type: none"> <li>review of the work of an expert for the actuary and the valuer</li> <li>focussed testing of non current asset, pension and</li> </ul>   | <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable. No issues were highlighted with the judgements</p>  |

| Audit risk  | Assurance procedure  | Results and conclusions   |
|---|--|---|
| <p>pensions and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>   | <p>provisions.</p>   | <p>and estimates applied.</p>   |
| <p><b>4 Revisions to the presentation of the financial statements</b></p> <p>The 2016/17 Code of Practice on Local Authority Accounting makes a number of changes in the presentation of the financial statements, including:</p> <ul style="list-style-type: none"> <li>• changes to the structure of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, with associated restatement of prior year figures.</li> <li>• a new expenditure and funding analysis</li> <li>• changes to the requirements of the annual governance statement to provide additional disclosures</li> </ul> <p>These changes present a risk of material misstatement in the financial statements if they are not properly actioned.</p> | <ul style="list-style-type: none"> <li>• focussed testing on the financial statements to ensure that the changes have been properly actioned.</li> </ul> | <p>We reviewed the unaudited accounts and confirmed that changes have been applied.</p> |

# Appendix 3

## Summary of national performance reports 2016/17



|      |   |   |  |
|------|---|---|--|
| Apr  |   |   |  |
| May  |    | Common Agricultural Policy Futures programme: an update         |  |
| Jun  |    | South Ayrshire Council: Best Value audit report                 |  The National Fraud Initiative in Scotland                  |
| Jul  |    | Audit of higher education in Scottish universities              |  Supporting Scotland's economic growth                      |
| Aug  |   | Maintaining Scotland's roads: a follow-up report                |  Superfast broadband for Scotland: a progress update       |
|      |   |   |  Scotland's colleges 2016                                |
| Sept |  | Social work in Scotland   |  Scotland's new financial powers                          |
| Oct  |  | Angus Council: Best Value audit report                          |  NHS in Scotland 2016                                     |
| Nov  |  | How councils work – Roles and working relationships in councils |  Local government in Scotland: Financial overview 2015/16 |
| Dec  |  | Falkirk Council: Best Value audit report                        |  East Dunbartonshire Council: Best Value audit report     |
| Jan  |   |   |  |
| Feb  |  | Scotland's NHS workforce  |  |
| Mar  |  | Local government in Scotland: Performance and challenges 2017   |  i6: a review   |
|      |   |   |  Managing new financial powers: an update               |

### Local government relevant reports

[Local government in Scotland: Financial overview 2015/16 – November 2016](#)

[Local government in Scotland: Performance and challenges 2017 – March 2017](#)

# Tayside Valuation Joint Board

## 2016/17 Annual Audit Report

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