

**Deloitte.**



**Orkney & Shetland  
Valuation Joint Board**



## **Orkney and Shetland Valuation Joint Board**

Final report to the Board and the Controller of Audit on  
the 2017/18 audit

Issued on 30 August for the meeting on 21 September 2018

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# Introduction

## The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Board for the 2017/2018 audit. The scope of our audit was set out within our planning report presented to the Committee in February 2018.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the wider scope requirements of public sector audit. This includes our consideration of the Orkney and Shetland Valuation Joint Board's (VJB's) duty to secure best value. As set out in our plan, due to the relative size and scale of the functions delivered by the VJB, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:
  - The appropriateness of the disclosures in **the governance statement**; and
  - The **financial sustainability** of the Board and the services that it delivers over the medium to longer term.

# Introduction (continued)

## The key messages in this report – financial statements audit

I would like to draw your attention to the key messages of this paper in relation to the audit of the financial statements:

### Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
  - recognition of grant income; and
  - management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 8.
- We have identified one audit adjustment, which has been corrected by management. This related to the identification and removal of an immaterial prior year error during the year.
- The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Board.
- The auditable parts of the remuneration report have been prepared in accordance with the relevant regulation.
- Based on our audit work, we expect to issue an unmodified audit opinion.

### Insights

- We have utilised Spotlight, Deloitte's patented analytics tool, to perform analytics on the journal entries posted in the year to profile the journal population which has helped us identify journals of audit interest, such as journals posted on non-business days or journals with key words. No issues were noted from this testing.
- We have made a number of recommendations that would improve the Board's annual accounts if adopted going forward, discussed at page 14.
- Other insights obtained through our audit work have been collated into an action plan for improvement on page 25.

### Status of the audit

- The audit is substantially complete subject to the completion of the following principal matters:
  - finalisation of our internal quality control procedures;
  - receipt of signed management representation letter; and
  - our review of events since 31 March 2018.

# Introduction (continued)

## The key messages in this report – wider scope

The following sets out the key messages of this paper in relation to the wider scope work:

### Financial sustainability

The Board continues to face a challenging financial position. The Board underspent against budget in 2017/18 but finished with a deficit on services as summarised below due to accounting adjustments. The Board has agreed its 2018/19 budget with a slight increase in funding (1%) from £652k to £659k. Given that the Board underspent by £54k in the current year despite having a series of additional responsibilities related to the local and general elections, Deloitte are satisfied that the balanced budget settlement for 2018/19 is achievable.

Total outturn net expenditure for 2017/18 was £598k, which was £54k under-budget due largely to a long term staff vacancy within the VJB.	This total outturn net expenditure differs from the results reported in the Comprehensive Income and Expenditure Statement as a result of required accounting adjustments.	Effective short term budgeting is in place to assess ongoing risk of under/overspend. The use of budgets to assess risks in the short-term have continued from the previous year.  Medium term planning and value for money could be improved by having a standalone medium term financial plan for the Board, rather than relying on those of the funding Councils.	The 2018/19 budget has been agreed at £659k compared to the 2017/18 budget of £652k, an increase of 1%. As the financial position of the Shetland Islands Council (SIC) and Orkney Islands Council (OIC) become more challenging, it is important that the VJB also looks to the medium-longer term to identify any funding gaps and efficiency savings required.
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### Governance statement

Regulation 5 of the accounts regulations requires local authority bodies to undertake an annual review of their systems of internal control and report the results in an annual governance statement published as part of the annual accounts. The regulations require the annual governance statement to be prepared in accordance with proper practices in relation to internal control, which are those set out in Delivering Good Governance in Local Government: Framework 2016 published by CIPFA and SOLACE.

We have confirmed that the VJB's governance statement is in compliance with this guidance and is consistent with our knowledge gained during the audit. We are not aware of any significant events between 31 March 2018 and the date of authorisation which have not been included in the governance statement.

**Pat Kenny**  
Audit Director

# Our audit explained

## Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered how you are addressing the wider audit dimensions:

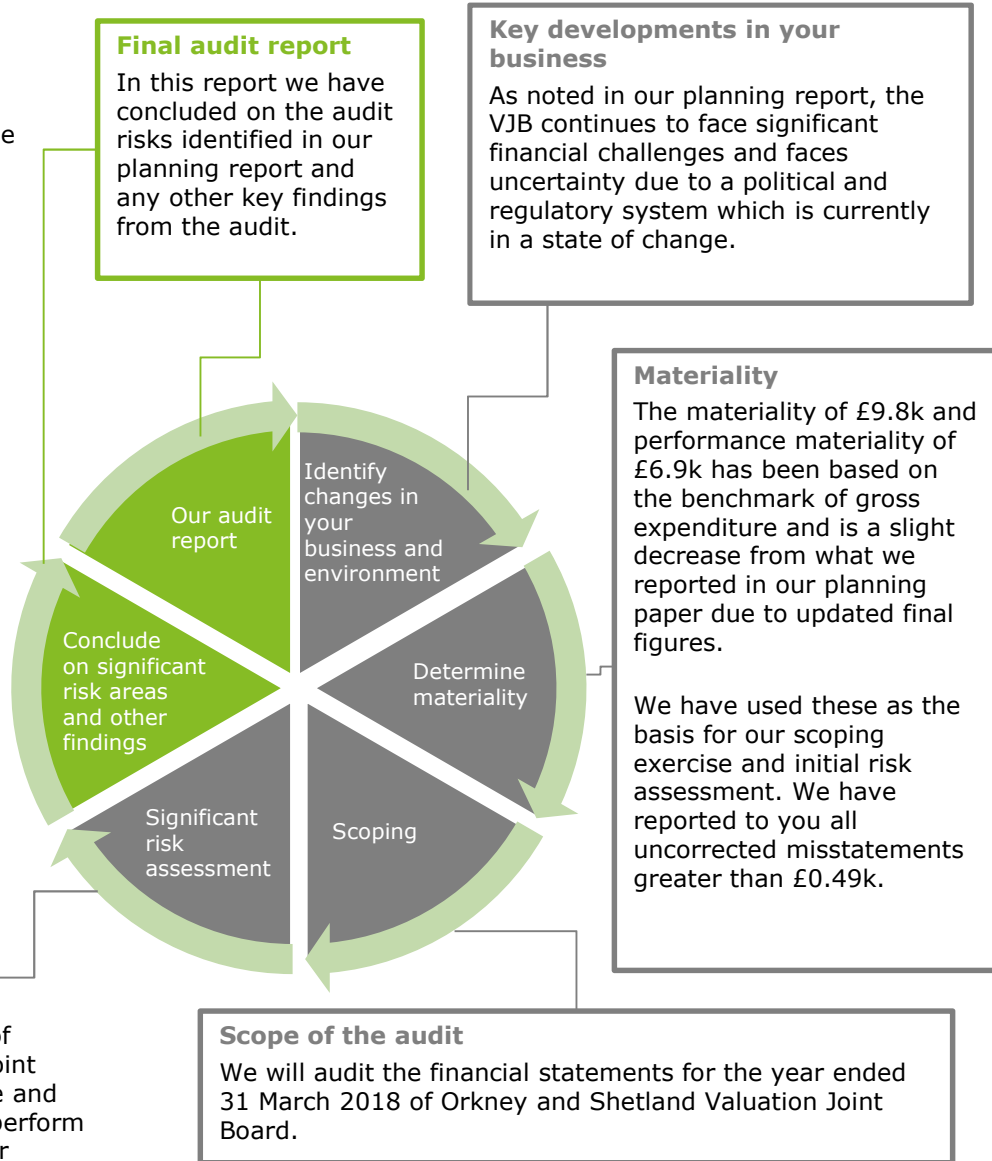
- Financial sustainability
- Governance and transparency

## Significant risks

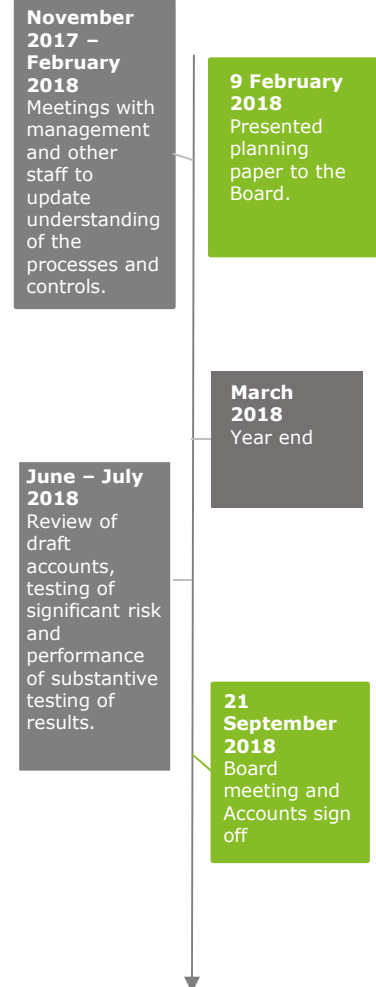
Our risk assessment process is a continuous cycle throughout the year. Page 8 provides a summary of our risk assessment of your significant risks.

## Quality and Independence

We confirm we are independent of Orkney and Shetland Valuation Joint Board. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.









## Timeline 2017/18



# Financial statements audit



# Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Slide no.
Completeness and accuracy of income			D+I	Satisfactory		Satisfactory	9
Management override of controls			D+I	Satisfactory		Satisfactory	10

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

**D+I:** Testing of the design and implementation of key controls



# Significant risks (continued)

## Risk 1 – Completeness and Accuracy of Income

### Risk identified

International Standards on Auditing (ISA) 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

The main components of income for the VJB are contributions from its funding partners, namely Shetland Islands Council and Orkney Islands Council. The significant risk is pinpointed to the recognition of this income, being completeness and accuracy of contributions received from both councils.



### Key judgements and our challenge of them

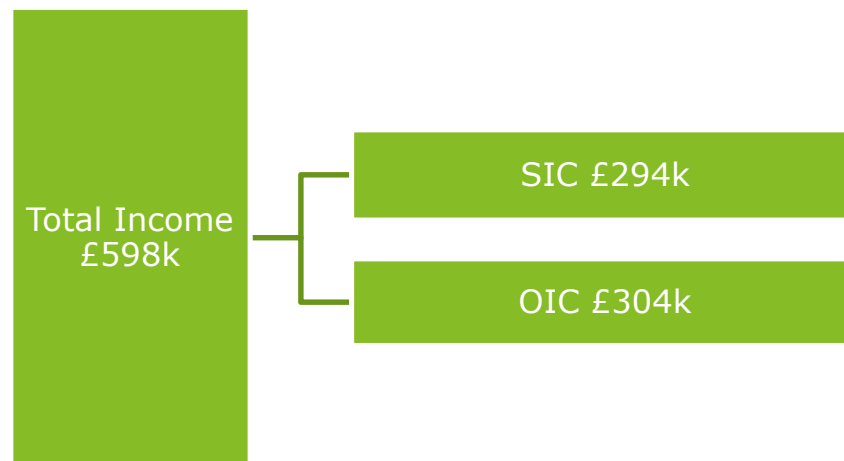
There is significant management judgement around determining if there are any conditions attached to a grant and if so whether the conditions have been met. The complex accounting for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.



### Deloitte response

We have performed the following:

- Tested income to ensure that the correct contributions have been input and received in accordance with that agreed as part of the budget process;
- Confirmed the management accounts have been reviewed on a regular basis monitoring expenditure and matched income



### Deloitte view

We have concluded that income has been correctly recognised in accordance with the requirements of the Local Authority Code of Audit Practice.

# Significant risks (continued)

## Risk 2 - Management override of controls

### Risk identified

In accordance with ISA 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.

The key judgement in the financial statements is that which we have selected to be the significant audit risk around completeness and accuracy of income. This is inherently the area in which management has the potential to use their judgment to influence the financial statements.



### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- Budgeted against actual income and expenditure was monitored closely throughout the year; and
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

### Deloitte view

- We have not identified any significant bias in the key judgements made by management.

### Significant transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

### Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We have used Spotlight data analytics tools to test a sample of journals, based upon identification of items of potential audit interest.

### Accounting estimates

Our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements completed with no issues noted.

# Other matters

## Defined benefits pension scheme

### Background

The VJB participates in the Shetland Islands Council Local Government Pension Scheme.

The net pension liability has decreased from £1,978k in 2016/17 to £1,933k in 2017/18 as a result of an update in actuarial assumptions of the pension liability which occurred in the year.



### Deloitte response

- We obtained a copy of the actuarial report produced by Hymans Robertson, the scheme actuary, and agreed in the disclosures to notes in the accounts;
- We reviewed and challenged the assumptions made by Hymans Robertson;
- We assessed the reasonableness of the VJB's share of the total assets of the scheme with the Draft Pension Fund financial statements;
- We reviewed the disclosures within the accounts against the Code;
- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work; and

### Deloitte view

We have reviewed the assumptions and, on the whole, the set of assumptions is reasonable and the valuation is carried out by a suitably qualified, independent and regulated actuary. The assumptions have been set in accordance with generally accepted actuarial principles and are compliant with the accounting standard requirements of IAS19.

# Our audit report

## Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report. The revisions to ISA (UK) 700 have changed the form and content of audit report, including how different sections are presented.



### **Our opinion on the financial statements**

Our opinion on the financial statements is unmodified.



### **Material uncertainty related to going concern**

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.



### **Emphasis of matter and other matter paragraphs**

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



### **Other reporting responsibilities**

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 13.



# Your annual accounts

We welcome this opportunity to set out for the Board our observations on the annual accounts. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance.

	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance. No exceptions noted.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>We have made a number of recommendations for changes to the annual accounts in line with good practice. We have included elements of good practice for your consideration at page 14.</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior Board members and Senior Employees of the Board.	We have audited the disclosures of remuneration and pension benefit, pay bands, and exit packages and confirmed that they have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that VJB's governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions noted.

# Your annual report (continued)

Audit Scotland has issued a series of Good Practice notes to highlight where annual reports can be improved. Although not specific to valuation joint boards, we would encourage the Board to use the findings to assess and enhance their own disclosures to ensure they provide high quality information to stakeholders in their annual accounts.

We have provided below some extracts which should be considered by the Board in drafting future annual accounts.

## **Management commentary**

The following areas for improvement were identified when reviewing the Board's annual accounts:

- Explain the Board's objectives, the strategy for achieving these (including current performance, position and future prospects);
- Set out how the Board generates and preserves value over the longer term;
- Provide additional information on how funding was used in the year – rather than just repeating information included in the financial statements;
- Include KPIs – both financial and non financial – and analyse performance against these in the year and whether they have been achieved or not;
- The key risks facing the VJB should be specific and tailored to the Board and genuinely be the principal risks/uncertainties that Board members are concerned about;
- The annual report should be reviewed in its entirety to identify areas where tabular, graphical or pictorial information (supported by narrative) may improve the accessibility of the document;
- The Board should consider if the use of case studies would enhance the general public's understanding of the work carried out by the Partnership.

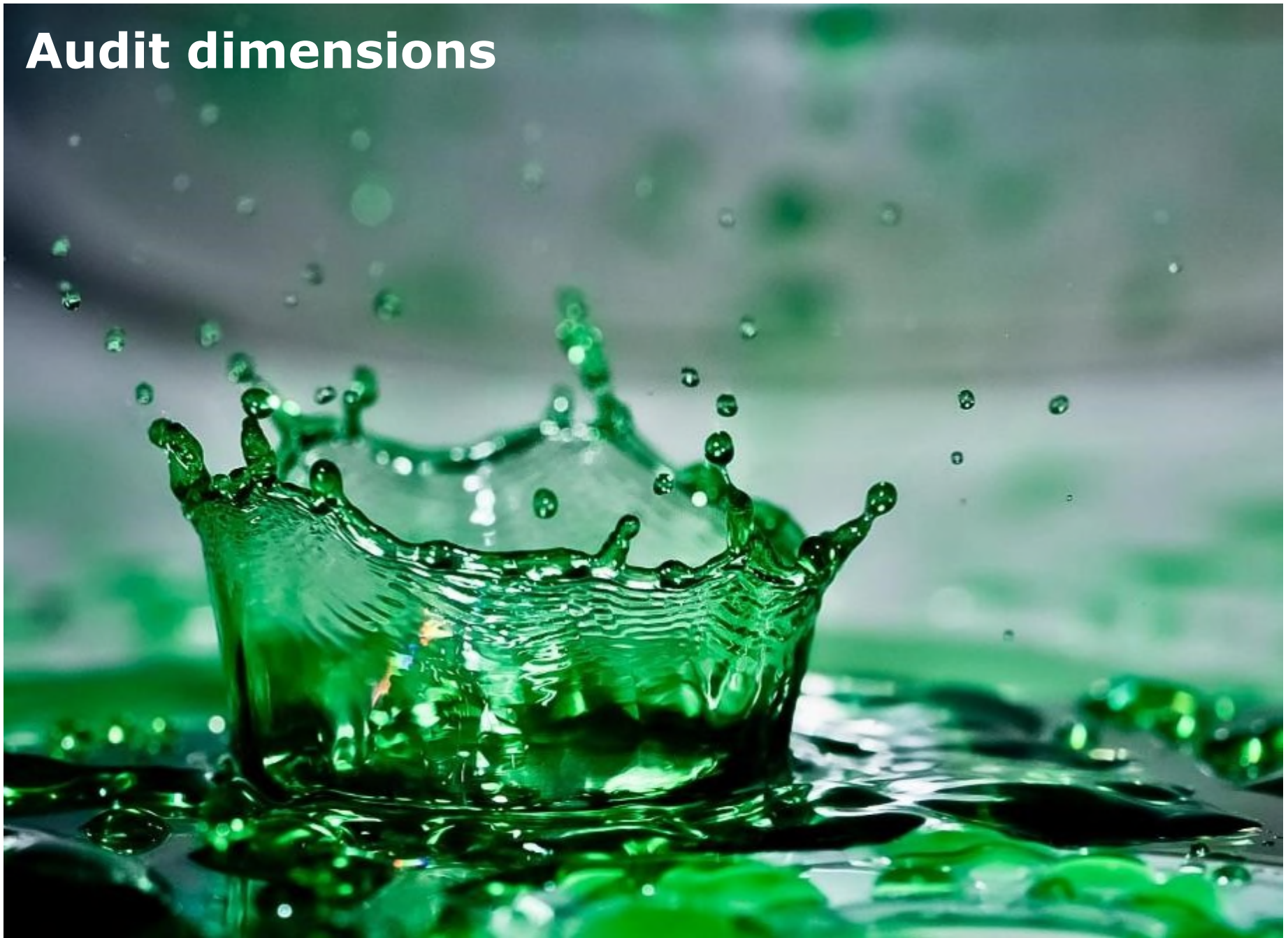
## **Governance statement**

The following areas for improvement were identified when reviewing the Board's annual accounts:

- The Board should consider whether findings raised by internal audit within SIC and OIC are relevant to the VJB and if so, these should be included in an action plan which outlines how the Board will mitigate the risk of control failure within the Councils impacting on the Board. If not, the Board should explicitly state that it has considered the findings and that any issues identified have no impact on the Board;
- The annual governance statement should follow up on any issues from previous years (e.g., the issue with recruitment) and provide an assessment of actions previously taken and how future actions will result in a different outcome;
- Critical judgements should be further explained in the commentary (rather than just disclosed in the notes).

A list of comments for improvement, including the above, have been provided to management at the Board with a recommendation that these be amended in the annual accounts. The majority of these have been actioned in the current year, with a minority carried forward for consideration in 2018/19. We are satisfied that the annual accounts are CIPFA Code compliant and fair, balanced and understandable.

# Audit dimensions



# Wider scope audit work

## Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following area. As set out in our plan, due to the relative size and scale of the functions delivered by the VJB, we concluded that the full wider scope audit was not appropriate. In accordance with paragraph 53 of the Code, our work in this area was restricted to concluding on:

- The appropriateness of the disclosures in the **governance statement**; and
- The **financial sustainability** of the Board and the services that it delivers over the medium to longer term.

Our report is structured in accordance with these two specific areas, but also covers our specific audit requirements on best value and specific risks as summarised below.

### Best Value (BV)

It is the duty of the VJB to secure BV as prescribed in the Local Government (Scotland) Act 1973.

We have considered the Board's duty to secure BV as part of the governance arrangements considered as part of the audit dimensions work.

### Specific risks (SR)

As set out in our Annual Audit Plan, Audit Scotland had identified a number of significant risks (SRs) faced by the public sector which we have considered as part of our work on the wider audit dimensions.

- SR 1** – EU Withdrawal
- SR 2** – New Financial Powers
- SR 3** – Ending public sector pay cap
- SR 4** – Cyber security risk
- SR 5** – Openness and transparency



# Wider scope audit work (continued)

## Governance statement

### Audit dimension

As part of the annual audit of the financial statements, we have consider the appropriateness of the disclosures in the governance statement.

### Areas considered



- The completeness of the disclosures in meeting the requirements of the essential features, as specified in the good governance framework
- Inconsistencies between the disclosures or between the disclosures and audit knowledge.

### Deloitte view

The governance statement meets the requirements of the good governance framework and no inconsistencies have been noted between the disclosures and our knowledge gained during the audit.

Having reviewed the processes in place at the VJB, and having identified no issues during our audit testing, we are satisfied that there are appropriate arrangements in place for securing best value.

### Deloitte response



Following the local Government elections in May 2017, there have been some changes to the Board. A Convenor for OIC and a Vice-Convenor for SIC were elected in the place of the former SIC Convener and OIC Vice-Convenor.

Significant governance issues have been disclosed in the governance statement, which include the efforts made to recruit an Assistant Assessor for a post that has been vacant for two years. The filling of this post would support strong governance and strengthen the management team. The recruitment process has been unsuccessful in the current year, and the Board utilised an external consultant when required. Further options surrounding this matter are going to be reported in 2018/19, but currently the situation is being held under constant review.

No inconsistencies have been noted in relation to the disclosures or between the disclosures and our audit work.

# Audit dimensions (continued)

## Financial sustainability

### Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Areas considered



- The financial planning systems in place across the shorter and longer terms.
- The arrangements to address any identified funding gaps.
- The affordability and effectiveness of funding and investment decisions made.
- Workforce planning.

### Deloitte response



We have monitored the VJB's actions in respect of its short, medium and longer term financial plans to assess whether financial balance can be achieved.

### Deloitte view

Effective short-term planning has continued from the previous year and involves the production of management accounts which are presented to the Board quarterly. This identifies any expenditure variances which are discussed at Board level. The budget for the following financial year is approved and funding has been allocated by the SIC and OIC.

Medium-to-long term financial plans, which includes a 3 year Corporate and Service Plan, are high level due to the financial risk sitting with the SIC and OIC, both of whom are statutorily obliged to fund the VJB. Given the current economic climate, it is important that the VJB also looks to the medium-longer term regarding finance, to identify any potential funding gaps and efficiency savings required.

### Short-term

Approved funding budget of £659k has been obtained from the SIC and OIC for 2018/19 which is £7k (1%) higher than the 2017/18 approved budget of £652k. The budget covers the lifting of the public sector pay cap (3% >£30k and 2% <£30k), a new contribution rate for the Pension Fund (down from 33.8% to 31.1%) and the withdrawal of Cabinet Office support for costs relating to Household Enquiry Forms.

Deloitte is satisfied that the overall budget spend is unlikely to be exceeded in the year due to the significant underspend in the current year, and an overall efficiency target of 1% is reasonable and achievable in the short term.

### Medium-term

The VJB is required to set a balanced budget and to determine the level of requisition to be sought from its constituent authorities. In terms of risk management, if an affordable budget is not set, there is a risk that the Board will be unable to fulfil its statutory duties should insufficient funding be requisitioned from constituents authorities.

The VJB has a three year Corporate Plan and three year Service plan. Regular progress reports are presented to the Board in relation to this. These clearly highlight the pressures faced by the Board in relation to the transition to Electoral Registration Service and the priorities associated with it, the Cabinet Office funding for Individual Electoral Registration (IER) and overall costs/income, the Election Management System and the main service priorities for the year. These are the longer term pressures faced by the Board, but these two plans are in place to address and monitor these risks.

# Wider scope audit work (continued)

## Specific risks

In accordance with our Audit Plan, we have considered the specific risks identified by Audit Scotland as part of our audit as follows:

Risk identified	Response
<p><b>EU Withdrawal</b></p>	<p>The UK is expected to leave the European Union (EU) on 29 March 2019, followed by a transition period to the end of 2020. There are still a lot of uncertainties surrounding the terms of the withdrawal agreement but the outcome will inevitably have significant implications for devolved governments in Scotland and for Scottish public sector bodies.</p> <p>Given the scale of the potential implications and possible timescales for implementing changes, it is critical that public sector bodies are working to understand, assess and prepare for the impact on their organisation. This is likely to include consideration of three areas:</p> <p><b>Workforce:</b> the extent to which potential changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.</p> <p><b>Funding:</b> the extent to which potential changes to funding flows including amounts anticipated under existing EU funding programmes, are likely to affect the finances of the organisation and the activity that such funding supports.</p> <p><b>Regulation:</b> the extent to which potential changes to regulation across a broad range of areas currently overseen at an EU level are likely to affect the activity of the organisation.</p> <p>The impact of changes to migration and trade policies on the VJB is expected to be minimal, given that all employees are local to the respective areas (Shetland and Orkney), with no employees either from the EU or outside the EU. Further, as funding is derived from the Councils and regulation is devolved to the Scottish Government, it is not anticipated that there will be any material impact on the Board in these areas. The VJB have implemented all regulations to date which affect the organisation, for example the EU Directive of General Data Protection Regulation.</p>
<p><b>New financial powers</b></p>	<p>The Scottish Parliament's new financial and social security powers and responsibilities from the 2012 and 2016 Scotland Acts are fundamentally changing the Scottish public financials. The Scottish Government will publish its medium-term financial strategy in 2018 in response to recommendations in the Budget Process Review Group final report, and has made a number of other commitments to improve financial management and help Parliamentary scrutiny of decisions.</p> <p>As a result of this, there is an expectation that public bodies will be seen before subject committees of the Parliament more often. The Board should therefore use this as an opportunity to make comment within their annual reports beyond the compliance requirements to clearly articulate their achievements against outcomes and future plans.</p>
<p><b>Ending public sector pay cap</b></p>	<p>The lifting of the pay cap has been factored into the approved 2018/19 budget in line with Scottish Government recommendations, with the additional funding required to meet these increased pay costs agreed as part of the budget setting process with SIC and OIC.</p>

# Wider scope audit work (continued)

## Specific risks (specific risks)

Risk identified	Response
<p><b>Cyber security risk</b></p>	<p>There is no specific structured approach to cyber security. The Board carries out annual PSN CoCo (Public Services Network Code of Connection) certification and are currently undertaking the Cyber Essentials certification. This guides the overall security strategy, which includes cyber risk.</p> <p>There is no specific cyber policy/strategy in place, but there is an ICT Security Policy which all staff agree to abide by, which is regularly updated and covers areas such as password security and other good practice security.</p> <p>Cyber attack is recorded as a risk at Chief Executive level. Fortnightly, Security Review Teams consider security issues as they arise, and the ICT Management Board decides on issues which cannot be resolved at Executive Manager level within SIC.</p> <p>The VJB have considered cyber security within its supply chain partners, as they have data processing agreements with suppliers where appropriate, and ask for software to run on supported versions of hardware and software.</p>
<p><b>Openness and transparency</b></p>	<p>From our audit work, we are satisfied that the Board is appropriately open and transparent in its operations and decision making. All agendas, meetings and management accounts are published online.</p>

# Technical update



# Technical Update

## IFRS 16 Leases

The effective date of IFRS 16 Leases is 1 January 2019. Therefore (subject to CIPFA/LASAAC decision) the standard is anticipated to be adopted in the 2019/20 Code.

IFRS 16 removes the existing classifications of operating and finance leases under IAS 17 *Leases* for lessees.

It requires that a lessee recognises assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee will recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing the lessee's obligation to make lease payments for the asset.

The consultation papers and the Exposure Draft have been drafted by CIPFA/LASAAC with the assistance of its sub group. However, both CIPFA and CIPFA/LASAAC are considering new ways of assessing how the standard will impact on local authorities.

CIPFA/LASAAC will issue the consultation as soon as possible and notification of the issue of the consultation will be via Treasurers Societies, the Networks and CIPFA social media or via the CIPFA/LASAAC pages of the CIPFA website. This consideration will also include the assessment of the practical effects of implementation. The consultation papers, for example, include a readiness assessment questionnaire to assist CIPFA/LASAAC with an understanding of the impact (and could also be usefully used by local authorities to assess the issues that need to be considered).

### **Potential impact on the Board**

The VJB leases a property in Orkney from OIC. This lease has been renewed for three years and is due to expire in June 2021. Under IFRS 16, this lease will be brought on to the balance sheet as an asset offset by an identical liability: the net impact being £nil. The Board should take steps now to ensure compliance with the new standard from 2019/20, including determination of the quantitative impact on the balance sheet.

# Appendices



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit

### What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

### The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" circulated separately.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.



for and on behalf of Deloitte LLP  
Glasgow

30 August 2018



# Action plan

## Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Financial Sustainability	We recommend that the VJB develop and implement a medium term financial plan, specifically tailored to their needs. Although the SIC and OIC are obliged to fund the VJB, the Board should identify medium term funding needs and opportunities for efficiencies and savings, so as to demonstrate value for money and sustainability at a Board level, whilst also assisting the SIC and OIC to plan appropriately at a Council level.	<p>Due to the size and nature of VJB and its operations, there is currently no requirement for a medium/long term financial strategy.</p> <p>As with other small local authority boards, the VJB will review this in 2018/19 to determine if there is value in developing a medium term financial plan.</p>	Executive Manager – Finance	March 2019	Medium
Annual accounts	We recommend that management follow any good practice guides issued by Audit Scotland and discuss with Deloitte any significant changes to the annual accounts that they plan to make year-on-year (if these are voluntary changes, as opposed to those required by the annual update to the Code) ahead of making these changes. This will allow for an agreed approach to the annual accounts prior to them being issued for public consultation and reduce the number of changes arising from the audit process.	Management have confirmed that going forward, any significant changes will be discussed with Deloitte ahead of issue of the annual accounts.	Executive Manager – Finance	March 2019	Low

# Fraud responsibilities and representations

## Responsibilities explained



### Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



### Required representations:

We have asked the Board to confirm in writing that it has disclosed to us the results of its own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that it is not aware of any fraud or suspected fraud that affects the Board.

We have also asked the Board to confirm in writing its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



### Audit work performed:

In our planning we identified the risk of fraud in complying with recognition of grant income and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management, internal audit and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements

We have reviewed the paper prepared by management for the Board on the process for identifying, evaluating and managing the system of internal financial control.

### Concerns:

From our year-end audit procedures and discussions with management, we have noted no cause for concern around the fraud arrangements in place.



# Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), we are required to report to you on the matters listed below:

<b>Independence confirmation</b>	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
<b>Fees</b>	<p>The audit fee for 2017/18 is £7,387 as detailed in our Audit Plan.</p> <p>No non-audit service fees have been charged by Deloitte in the period.</p>
<b>Non-audit services</b>	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
<b>Relationships</b>	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



# Events and publications

## Our publications and insights to support the Board

### Publications

#### **The State of the State 2017-18**

Citizens, government and business

This year's report finds the UK government amid the complex challenge of leaving the EU. Inevitably, this early phase of EU exit is taking place under intense media scrutiny and passionate political debate. But while EU exit issues may dominate headlines, the public services face more local challenges as they address rising demand, budget restraint and renewed levels of concern about social inequality.

The State of the State 2017-18 explores government through three lenses – the citizen lens, the public sector lens and the business lens.

Download a copy of our publication here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/state-of-the-state.html>



#### **Sharing our informed perspective**

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the local authorities are shared opposite:

#### **Perspectives: Do you have a digital mindset?**

##### **Accelerating health and care integration**

Digital technology is helping to transform the way citizens interact with service providers across all other service industries. The time is now ripe for changing the relationship between health and social care commissioners and providers and service users.

Read the full blog here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/do-you-have-a-digital-mindset.html>

#### **Article: Public sector transformation**

##### **Five lessons from the private sector**

An analysis of private sector global companies, including high-tech start-ups, manufacturers, banks, retailers and insurance firms, reveal five valuable lessons for the public sector.

Read the full article here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-transformation.html>



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