

Renfrewshire Valuation Joint Board

2020/21 Annual Audit Report



Prepared for Renfrewshire Valuation Joint Board and the Controller of Audit
November 2021

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Key messages

2020/21 annual report and accounts

Renfrewshire Valuation Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial sustainability and Annual Governance Statement

A surplus of £276,076 for the financial year 2020/21 was achieved, compared to a budgeted breakeven position. This includes funding of £156,055 to support the May 2022 elections carried forward to 2021/22.

The audited annual accounts confirm a useable reserves balance of £675,139 as at 31 March 2021. Management are intending to use reserves in the coming years but will look to maintain reserves of at least five per cent of net expenditure.

The financial planning arrangements in place have allowed management to plan for future pressures and take action where required.

Introduction

1. This report summarises the findings from our 2020/21 audit of Renfrewshire Valuation Joint Board (RVJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 26 February 2021 meeting of the Joint Board. This report comprises the findings from:
 - an audit of RVJB annual accounts
 - our consideration of financial sustainability and the Annual Governance Statement.
3. The global coronavirus pandemic has had minimal impact on RVJB during 2020/21. Governance procedures have operated effectively throughout the year and are considered reasonable.

Adding value through the audit

4. We add value to RVJB through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice guides
 - providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.
5. In so doing, we aim to help RVJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. RVJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. RVJB is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on RVJB's Best Value arrangements is focussed on their use of resources to secure financial sustainability.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

9. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2020/21 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2020/21 audit.

10. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £7,610 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both RVJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank management and staff for their cooperation and assistance during the audit, particularly given the difficulties of auditing remotely during the COVID-19 pandemic.

Part 1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

RVJB's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Our audit opinions on the annual accounts are unmodified

14. The annual accounts for the year ended 31 March 2021 were approved by the Joint Board on 19 November 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- 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 were signed off in line with the agreed timetable

15. The unaudited annual accounts were received in line with our revised agreed audit timetable on 15 June 2021. There has been limited impact of Covid-19 on the audit process. The physical limitations on access to records and systems did not impact on or delay the audit and RVJB staff were supported in homeworking during the period of the outbreak.

16. The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £42,000

17. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and it was concluded no changes were required to our planned levels. Materiality is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£42,000
Performance materiality	£31,000
Reporting threshold	£2,000

Source: Annual Audit Plan 2020/21

Appendix 1 identifies the main risks of material misstatement and our audit work to address these

18. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual accounts. These risks influence our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. It also identifies the work we undertook to address these risks and our conclusions from this work.

We have four significant findings to report on the accounts

19. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices, covering accounting policies, accounting estimates and financial statements disclosures. We have identified the following issues per Exhibit 2.

Exhibit 1 Significant findings from the audit of the financial statements

Issue	Resolution
1. Software Provision A £55,000 provision relating to the ongoing development of the Board's core system was reflected in the unaudited accounts. Upon review, it	This was corrected within the audited annual accounts. The provision was removed as no contractual commitment existed at 31

Issue	Resolution
was concluded that this did not meet the definition of a provision per IAS 37.	March 21. An earmarking of funds was recognised.
<p>2. Intangible Asset Additions</p> <p>The unaudited accounts reflected an Intangible Asset addition of £105,181 in year. As this software is still under development and not in use, this should be reflected as an asset under construction. This has no impact on the financial position and is a change to a disclosure note only.</p>	<p>This was corrected within the audited annual accounts.</p> <p>An intangible asset under construction has been reflected within Note 5 of the financial statements.</p>
<p>3. Software Enhancement</p> <p>Income from the Scottish Government was received in year for expenditure in relation to the RVJB's electoral registration software of £49,150. This was expensed through the CIES, however as this was enhancement expenditure to existing software it should have been capitalised.</p>	<p>This was corrected within the audited annual accounts.</p> <p>Expenditure has been capitalised and income treated as a capital grant.</p>
<p>4. Goodwin</p> <p>The Chief Secretary to the Treasury has made a 'Written Ministerial Statement' (WMS) in respect of survivor benefits payable from the Teachers' Pension Scheme in England. Following an employment tribunal, survivor benefits payable to male survivors of females in opposite sex marriages will be equal to those payable to other categories of survivor. This has implications for the Local Government Pension Scheme. The legislation / regulations underpinning the various public service pension schemes have not yet been amended.</p>	<p>This was corrected within the audited annual accounts.</p> <p>A contingent liability has been included in relation to Goodwin as set out in paragraphs 24-30 of CIPFA Bulletin 05.</p>

Source: Audit Scotland

20. Our audit also identified one non-significant adjustment to the annual accounts. A prepayment of £5,029 was recorded twice within the financial statements in error. The financial statements were amended and this reduced the outturn position, usable reserves and debtor balances within the accounts by £5,029.

21. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

22. Adjustments made in the audited accounts increased the Surplus on the Provision of Services and Comprehensive Income and Expenditure Statement by £99,121.

23. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold; there are no unadjusted errors to report.

Part 2. Financial sustainability and Annual Governance Statement

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

A surplus of £276,076 for the financial year 2020/21 was achieved, compared to a budgeted breakeven position. This includes funding of £156,055 to support the May 2022 elections carried forward to 2021/22.

The audited annual accounts for 2020/21 confirm a useable reserves balance of £675,139 as at 31 March 2021.

Financial performance in 2020/21

24. The Joint Board approved the 2020/21 budget in February 2020. Total budgeted expenditure was £2.786 million and total budgeted income was £2.776 million, with a planned drawdown of £10,000 of reserves to achieve a break-even position.

25. Actual outturn in 2020/21 was total expenditure of £2.647 million and total income of £2.923 million resulting in a surplus of £0.276 million. The main factors regarding variances are set out in the Management Commentary in the annual accounts.

Short term financial planning

26. The largest source of income for RVJB is requisitions from members of the Joint Board. Other sources of income include income from sales, fees, and charges.

27. The Joint Board approved the 2021/22 budget in February 2021. Total budgeted expenditure was £2.881 million and total budgeted income was £2.801 million, with a planned drawdown of £80,000 of reserves to achieve a break-even position. Income also included £0.455 million of Barclay requisition that is passed on to RVJB from the member councils.

Medium to long term financial planning

28. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

29. As part of the budget setting process, revenue estimates are prepared for a three-year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

30. The audited annual accounts for 2020/21 confirm a useable reserve balance of £675,139. Use of reserves is anticipated until 2022/23 to achieve financial balance and maintain sustainable requisition increases. However, a prudent use of reserves is planned, and these will be maintained at a minimum of five per cent of net expenditure to provide flexibility for unforeseen circumstances.

31. From the work carried out, we have concluded that RVJB has adequate financial planning arrangements in place. Cost pressures are expected to arise in the medium term. However, the financial planning arrangements in place have allowed management to plan for these pressures and ensure necessary actions are taken when required.

Annual Governance Statement

32. Our review of the Annual Governance Statement assessed the assurances which are provided to the Joint Board and management regarding the adequacy and effectiveness of the system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's assurance statement concluding that a 'reasonable level of assurance' can be placed upon the adequacy and effectiveness of Renfrewshire Valuation Joint Board's internal control, risk management and governance arrangements.

33. We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Appointment of Assessor and Electoral Registration Officer

34. The current Assessor and Electoral Registration Officer retired from Renfrewshire Valuation Joint Board with effect from 17 October 2021. Following a meeting of the Appointment Sub-committee held on 3 August 2021, a new Assessor and Electoral Registration Officer was appointed and will be responsible for signing the 2020/21 Annual Accounts.

Appendix 1. Significant audit risks

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 conclusion.

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Detailed testing of journal entries.</p> <p>Reviewed accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluated significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2. Risk of material misstatement caused by accounting for pensions</p> <p>RVJB recognised a net liability of £1.733 million relating to its share of Strathclyde Pension Fund at 31 March 2020. There is a significant degree of subjectivity in the measurement and valuation</p>	<p>Assessed the pension fund actuary and information they provide in accordance with ISA 500.</p> <p>Reviewed the estimates used, and assumptions made in calculating the pension fund liability.</p> <p>Assessed the completeness and accuracy of information submitted to Strathclyde</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was performed and no issues were identified. The approach and assumptions used by the actuary were considered reasonable and in line with expectation.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> <p>Additionally, the triennial valuation exercise that took place during 2020/21 will impact on the 2020/21 annual accounts. This exercise was more detailed than the annual valuations and set employer contributions rates for the next three years.</p>	<p>Pension Fund to support the triennial valuation exercise.</p>	<p>Conclusion: the estimates and judgements made in the calculation of the net pension liability were reasonable.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>3. Financial sustainability</p> <p>The 2020/21 Revenue Estimates highlight increasing costs in the medium-term, putting pressures on available resources. Covid-19 has also impacted on resources. No specific funding has been announced for RVJB to manage the additional pressures and these are currently being met through core budgets and reserves.</p> <p>Recent legislative changes have impacted on the work of RVJB and resulted in new duties they are required to fulfil and tighter timelines. RVJB have experienced challenges with retaining and recruiting professional qualified staff to assist in the delivery of these requirements. Recruitment is due to commence in early 2021 but this issue will need</p>	<p>Reviewed budget monitoring reports and future Revenue Estimates and discussed with management RVJB's medium-term financial position.</p> <p>Concluded on financial position and financial sustainability within the Annual Audit Report.</p>	<p>A review of budget monitoring reports and the financial statements highlight reserves have increased in year. It is anticipated that reserves will be used each year to 2022/23 to achieve financial balance. However, a prudent use of reserves is planned, and management will look to maintain reserves at a minimum of five per cent of net expenditure.</p> <p>Conclusion: RVJB continues to operate in a challenging financial climate, with pressures in delivering existing services with the current levels of resources. Management continues to review options and resources for the delivery of future services.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>to be closely monitored going forward.</p> <p>As outlined in risk 2, the triennial valuation exercise took place for the pension fund and set employer contribution rates for the next three years. The changes in contribution rates will impact on resources and result in unavoidable cost increases.</p> <p>Due to the pressures above, it is likely savings will be required over the medium-term to achieve a breakeven position and maintain reserves at an appropriate level.</p>		

Source: Audit Scotland AAP 2020/21

Renfrewshire Valuation Joint Board

2020/21 Annual Audit Report

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