

RENFREWSHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 17 August 2018

Report by: Audit Scotland

Heading: Annual Audit Report 2017-18

1. **Summary**

- 1.1 At the meeting of the Renfrewshire Valuation Joint Board on 1 June 2018 a report on the unaudited accounts for the year ended 31 March was noted.
 - 1.2 The audit certificate issued by Audit Scotland provides an unqualified opinion that the annual accounts presents a true and fair view of the financial position of the Joint Board as at 31 March 2018, in accordance with the accounting policies detailed in the accounts.
 - 1.3 A member of the Audit Scotland will present this paper report and answer any questions.
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2 **Recommendations**

- 2.1 It is recommended that members note the report by Audit Scotland.
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Renfrewshire Valuation Joint Board

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17 August 2018

Renfrewshire Valuation Joint Board Audit of 2017/18 annual accounts

Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 August 2018 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Joint Board's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.

Representations from Section 95 Officer

6. As part of the completion of our audit, we are seeking written representations from the Treasurer on aspects of the annual accounts, including the judgements and estimates made.
7. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Renfrewshire Valuation Joint Board and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Renfrewshire Valuation Joint Board for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Treasurer and the Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Mark Ferris

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4th Floor, South Suite
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August 2018

APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris
Audit Scotland
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Dear Mark

Renfrewshire Valuation Joint Board Annual Accounts 2017/18

1. This representation letter is provided in connection with your audit of the annual accounts of Renfrewshire Valuation Joint Board for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Assessor and ERO, the following representations given to you in connection with your audit of Renfrewshire Valuation Joint Board's annual accounts for the year ended 31 March 2018.

General

3. Renfrewshire Valuation Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Renfrewshire Valuation Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Renfrewshire Valuation Joint Board at 31 March 2018 and the transactions for 2017/18.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code where applicable.

Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Renfrewshire Valuation Joint Board circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the Joint Board's ability to continue as a going concern.

Assets

10. The assets shown in the Balance Sheet at 31 March 2018 were owned by Renfrewshire Valuation Joint Board, other than assets which have been purchased under finance leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

11. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
12. The accrual recognised in the financial statements for holiday untaken by 31 March 2018 has been estimated on a reasonable basis.
13. The pension assumptions made by the actuary in the IAS 19 report for Renfrewshire Valuation Joint Board have been considered and I confirm that they are consistent with management's own view.
14. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

15. I have provided you with all information in relation to
 - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

16. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

17. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all the Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

18. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

19. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

20. I confirm that the Renfrewshire Valuation Joint Board has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
21. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

22. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
23. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Yours sincerely

Treasurer

Renfrewshire Valuation Joint Board

2017/18 Annual Audit Report



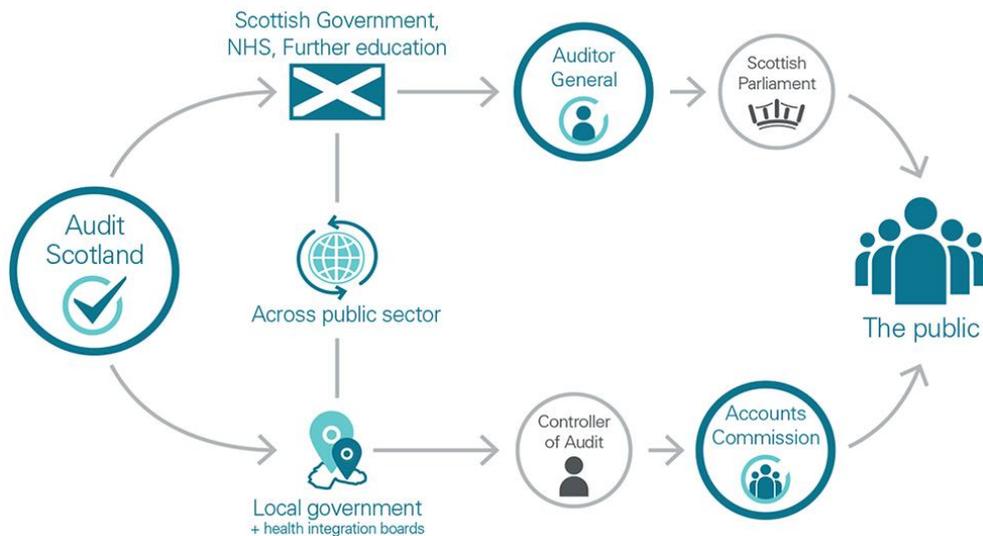
 AUDIT SCOTLAND

Prepared for the Members of Renfrewshire Valuation Joint Board and the Controller of Audit
17 August 2018

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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Key messages

2017/18 annual report and accounts

- 1** In our opinion the Joint Board's financial statements give a true and fair view and were properly prepared and, expenditure and income was in accordance with applicable enactments and guidance.
- 2** The audited part of the Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.
- 3** Management should continue to review how capital expenditure and reserves are disclosed within the financial statements.

Financial sustainability and Governance Statement

- 4** A deficit of £0.125 million was generated in 2017/18 which was slightly higher than budgeted. The deficit was managed through the planned use of reserves.
- 5** We concluded that the information in the Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.
- 6** The Corporate Risk Register has not been reported to the Joint Board since August 2016. This should be updated and reported to the Joint Board in line with the Risk Management Strategy.

Introduction

1. This report summarises the findings from our 2017/18 audit of Renfrewshire Valuation Joint Board (RVJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 19 January 2018 meeting of the Joint Board. This report comprises the findings from:
 - an audit of the RVJB annual report and accounts
 - consideration of the financial sustainability and Governance Statement
3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:
 - financial sustainability
 - financial management
 - governance and transparency
 - value for money.
4. 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 Governance Statement and the financial sustainability of the body and its services.
5. As highlighted in our [2017/18 Annual Audit Plan](#) (paragraph 21), due to the volume and lack of complexity of the financial transactions, and nature and size of RVJB, we applied the small body provisions of the Code to the 2017/18 audit of RVJB.
6. RVJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. 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 are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2016](#), and guided by the auditing profession's ethical guidance.
8. As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the Governance Statement disclosures. In doing this, we aim to support improvement and accountability.
9. 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.

10. Our Annual Audit Report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes actions from last year and progress against these.

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 2017/18 audit fee of £7,080 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to RVJB by providing insight on financial sustainability and by identifying areas of improvement and recommending good practice. In so doing, we aim to help RVJB promote improved standards of financial planning, better management and decision making.

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

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

In our opinion RVJB's financial statements give a true and fair view and were properly prepared, and expenditure and income was in accordance with applicable enactments and guidance.

The audited part of Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.

Management should continue to review how capital expenditure and reserves are disclosed within the financial statements.

Audit opinions on the annual report and accounts

15. The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Board on board on 17 August 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the audited part of the Remuneration Report, Management Commentary and Governance Statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

16. We received the unaudited annual report and accounts on 18 May 2018 which was earlier than our agreed audit timetable.

17. The unaudited annual report and 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.

Risks of material misstatement

18. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When

deciding on what is material we consider both the amount and nature of the misstatement.

20. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the unaudited annual report and accounts we reviewed our planning materiality calculations and concluded that, while the values changed slightly, they remained appropriate and these are summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Annual Audit Plan	Unaudited annual report and accounts
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018.	£27,300	£28,100
Performance materiality – 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.	£20,400	£21,000
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£1,000	£1,000

Source: Annual Audit Plan 2017/18

How we evaluate misstatements

21. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. There were no material adjustments to the unaudited financial statements and no errors above the reporting threshold.

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. There are no significant findings to report.

Other issues

23. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Accounting Code) outlines that for financial statements to be useful, they must provide a faithful representation of financial information with the substance of a transaction/process being reported as opposed to its legal form.

24. During the audit, we noted RVJB had incurred capital expenditure but this had been accounted for as revenue expenditure. The financial statements disclose that

RVJB does not have the power to hold assets therefore any capital expenditure is treated as revenue expenditure.

25. A similar disclosure issue was identified with RVJB's reserves. The financial statements outline Joint Boards have no specific powers to hold reserves therefore reserves are transferred to creditors. Any reserves that have been built up will ultimately be returned to the member councils upon the cessation of RVJB or when the Joint Board decides to reimburse the reserves to member councils.

26. Discussions with management are ongoing to conclude whether the current treatment of capital expenditure and reserves is appropriate or needs to be revised going forward.



Recommendation 1

Management should continue to review how capital expenditure and reserves are disclosed within the financial statements.

Follow up of prior year recommendations

27. We have followed up actions previously reported and assessed progress. Two agreed actions were raised in 2016/17 and both have been fully actioned as outlined in [Appendix 1](#).

Part 2

Financial sustainability and Governance Statement



Main judgements

A deficit of £0.125 million was generated in 2017/18 which was slightly higher than budgeted. The deficit was managed through the planned use of reserves.

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

The Corporate Risk Register has not been reported to the Joint Board since August 2016. This should be updated and reported to the Joint Board in line with the Risk Management Strategy.

Financial performance in 2017/18

28. The Joint Board approved the 2017/18 budget in January 2017. Total budgeted expenditure was £2.372 million and total budgeted income was £2.254 million. This resulted in a budget gap of £0.118 million that management planned to meet through the use of reserves.

29. Actual outturn in 2017/18 was total expenditure of £2.472 million and total income of £2.347 million. This resulted in a deficit of £0.125 million for the year which was £0.007 million higher than the budgeted figure.

Short term financial planning

30. The largest source of income for RVJB is requisitions from members of the Joint Board. Other sources of income include funding from the Cabinet Office for Individual Electoral Registration (IER) and income from sales, fees and charges. From 2018/19 onwards, RVJB is also looking to generate income from leasing out part of the Robertson Centre.

31. The Joint Board approved the 2018/19 budget in January 2018. Total budgeted expenditure was £2.396 million and total budgeted income was £2.330 million. This resulted in a budget gap of £0.066 million that management planned to meet through the use of reserves. Requisition income for 2018/19 has increased by 3% to £2.223 million.

32. The 2018/19 budget also proposed requisitions from members increases by 1% in 2019/20 and 2020/21. However, these increases will need to be approved by the Joint Board at each year's budget setting meeting. Lease income of £0.010 million is forecast in the 2018/19 budget and this increases to £0.040 million in subsequent years.

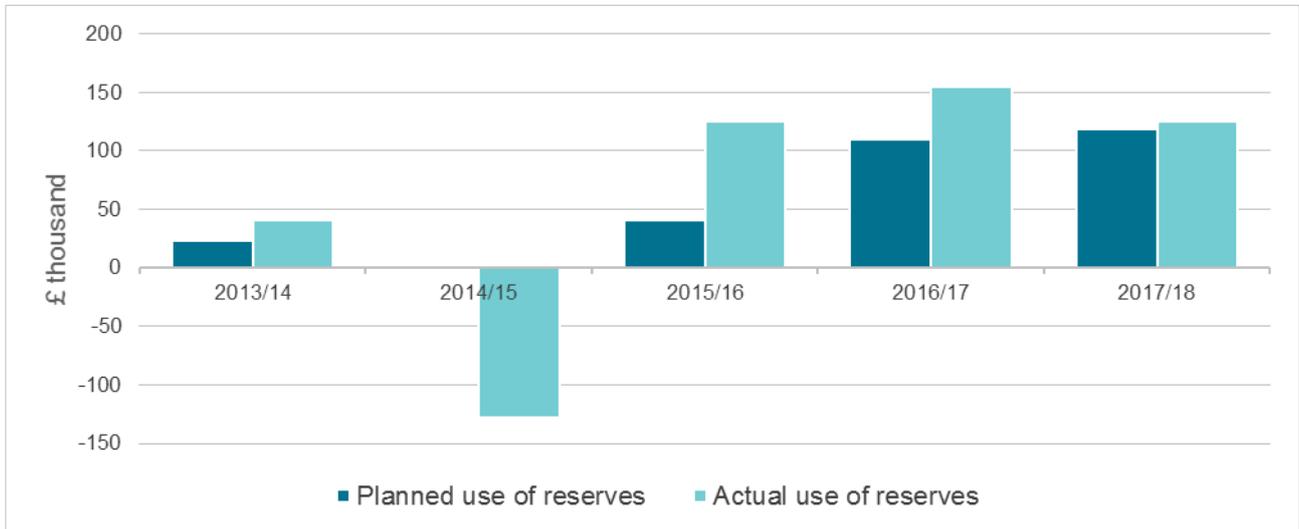
33. The 2018/19 budget highlights the need to use reserves to deliver services. This has been a common occurrence over the past 5 years ([Exhibit 2](#)). With the level of reserves expected to reduce to £0.121 million at the end of 2018/19; there is a risk there will be less flexibility for management to address adverse or uncertain events such as guarantees of funding for IER ([Exhibit 3](#)).

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.

34. The Treasurer has considered the current level of reserves to be prudent to protect against unforeseen costs and the reserves balance is monitored at each Joint Board meeting through the revenue monitoring report.

Exhibit 2

Analysis of planned use of reserves against actual use of reserves

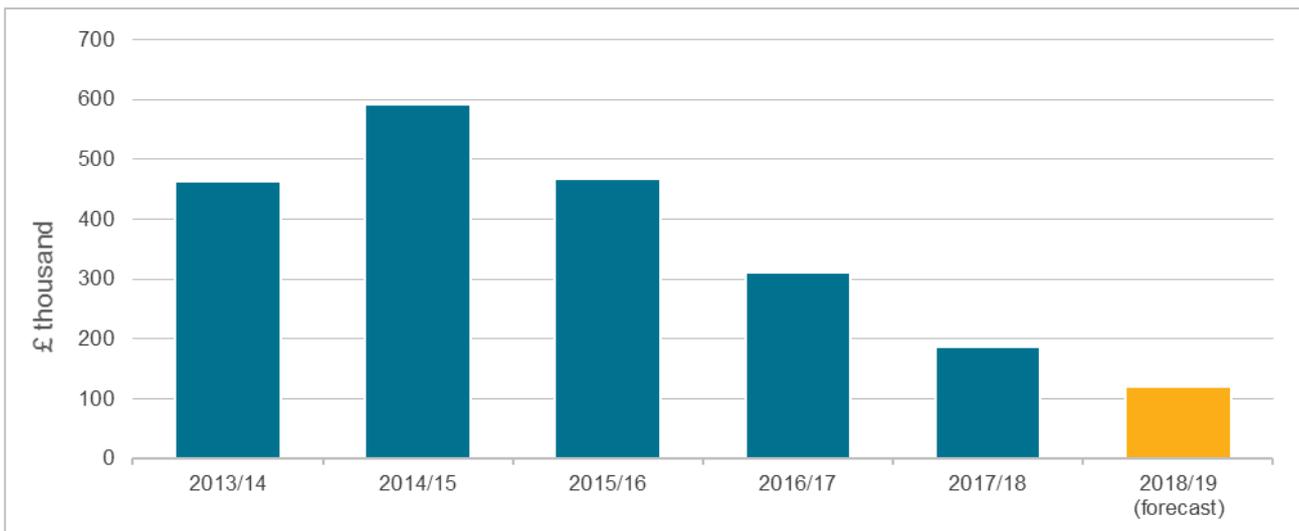


Note: A surplus was generated in 2014/15 which resulted in an increase to reserves. The significant difference between actual and planned in 2015/16 was due to the use of reserves to fund two voluntary exit packages which were approved by the Joint Board.

Source: RVJB annual report and accounts 2013/14 – 2017/18

Exhibit 3

Analysis of useable reserves



Source: RVJB annual report and accounts 2013/14 – 2017/18 and RVJB budget 2018/19

Medium to long term financial planning

35. 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.

36. As part of the budget setting process, revenue estimates are prepared for a 3 year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

37. In addition to 3 year revenue estimates, there are financial outlook papers presented to the Joint Board. These are reported on an ad-hoc basis but include details of significant issues or pressures on RVJB, actions being taken to address the issues, and incorporate scenario planning where applicable which outlines the impact of various situations that could arise.

38. The Joint Board approved RVJB's Strategic Service Plan 2018-2021 in June 2018. The plan outlines RVJB's statutory requirements and services, objectives, and outlines details of key activities and outcomes which will allow the objectives of the plan to be achieved over the 3 year period. The plan includes activities and outcomes in relation to financial planning, budgeting, and monitoring.

39. From the work carried out we have concluded that RVJB has adequate financial planning arrangements in place. There are pressures that could impact on RVJB's financial sustainability and ability to deliver services. However, the financial planning arrangements has allowed management to take mitigating actions against these pressures.

Efficiency savings

40. In recent years, RVJB has been required to deliver efficiency savings to address budget pressures and reductions in requisition income. These have been achieved through renegotiation of contracts on more favourable terms, closure of RVJB's Greenock office, and the deletion of various posts when they become vacant and voluntary exits.

41. This has allowed RVJB to be financially sustainable, however there will be less opportunity to use these options going forward to achieve future savings. As reported in our [2016/17 Annual Audit Report](#), staffing levels had reached minimal levels and as a result future savings would need to be delivered through options other than voluntary exits.

42. A Service Review was carried out in early 2018 and results of this were reported to the Joint Board in June 2018. Part of the Service Review looked at how potential savings could be delivered. Several options were identified which included the update and replacement of various IT systems. Work is being done by management to assess the viability of these options and these are at various stages of development. This Service Review highlights management's awareness of the need for more significant changes to service delivery to achieve future savings.

Governance Statement

43. Our review of the Governance Statement assessed the assurances which are provided to the Assessor and Electoral Registration Officer regarding the adequacy and effectiveness of the board's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding 'that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Board's internal control system'.

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

45. The Risk Management Strategy and Corporate Risk Register (CRR) are key elements supporting the governance framework. Our audit work noted that the CRR had not been reported to the Joint Board since August 2016. This is not in line with the Risk Management Strategy which requires the CRR to be reported to the Joint Board on at least an annual basis. Furthermore, the May 2017 election resulted in changes to the membership of the Joint Board and the CRR has not been reported to the new membership. Therefore, members may not be fully aware of the risks that affect RVJB and the actions being taken to mitigate against these risks.



Recommendation 2

The Corporate Risk Register should be updated and reported to the Joint Board in line with the Risk Management Strategy.

Other matters

46. The General Data Protection Regulation (GDPR) become enforceable on 25 May 2018. The regulation made changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation could result in significant sanctions.

47. Renfrewshire Council has been providing support to RVJB in preparation for GDPR. GDPR requires organisations to appoint a designated Data Protection Officer (DPO). As RVJB does not have an in-house DPO they have negotiated that a dedicated DPO solicitor from Renfrewshire Council is appointed to this post costing around £0.013 million per annum. In addition, one of the Divisional Assessors and Assistant Electoral Registration Officers undertook bespoke training to improve inhouse knowledge.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Capital expenditure and reserves</p> <p>The financial statements disclose RVJB does not have the power to hold assets or reserves therefore capital expenditure and reserves are not reflected within the financial statements.</p> <p>Risk</p> <p>There is a risk the financial statements do not fully reflect the substance of RVJB's transactions.</p>	<p>It is recommended that management continue to review how capital expenditure and reserves are reported in the financial statements.</p> <p>Paragraph 23 – 26</p>	<p>This will be reviewed and updated as appropriate.</p> <p>Responsible officer: Treasurer</p> <p>Target Date: 31 March 2019</p>
2	<p>Corporate Risk Register</p> <p>The Corporate Risk Register (CRR) was last reported to the Joint Board in August 2016. The Risk Management Strategy requires the CRR to be reported to the Joint Board on at least an annual basis. The May 2017 election resulted in changes to the membership of the Joint Board.</p> <p>Risk</p> <p>There is a risk the Joint Board is not sighted on the risks that could affect RVJB and its services or the mitigating actions being taken to address the risks.</p>	<p>The CRR should be updated and reported to the Joint Board on in line with the Risk Management Strategy.</p> <p>Paragraph 44</p>	<p>The Corporate Risk Register will be updated and reported to the Joint Board on a biannual basis.</p> <p>Responsible officer: Assessor & ERO</p> <p>Target date: 31 March 2019</p>

Follow up of prior year recommendations

1	<p>Governance policies and procedures</p> <p>A review of governance policies and procedures was</p>	<p>It is recommended that these policies and procedures are reviewed and updated to</p>	<p>Scheme of delegation:</p> <p>The scheme of delegation was updated and approved by the Joint Board on 1 June 2018.</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>carried out and a number of policies require to be updated. These include the:</p> <ul style="list-style-type: none"> • scheme of delegation • contract standing orders • financial regulations and financial codes • employee code of conduct. <p>Without up to date policies and procedures there is a risk that functions are not delivered effectively and failures in governance could occur.</p>	<p>reflect the current situation of RVJB.</p>	<p>Responsible officer: Assessor and ERO</p> <p>Target date: 31 March 2018</p> <p>Actual date: 1 June 2018</p> <p>Contract standing orders:</p> <p>The contract standing orders were updated and approved by the Joint Board on 19 January 2018.</p> <p>Responsible officer: Head of Corporate Governance</p> <p>Target date: 31 March 2018</p> <p>Actual date: 19 January 2018</p> <p>Financial regulations:</p> <p>The financial regulations were updated and approved by the Joint Board on 1 June 2018.</p> <p>Responsible officer: Chief Auditor</p> <p>Target date: 31 March 2018</p> <p>Actual date: 1 June 2018</p> <p>Employee code of conduct:</p> <p>The employee code of conduct was updated and approved by the Joint Board on 19 January 2018.</p> <p>Responsible officer: Head of HR and OD</p> <p>Target date: 31 March 2018</p> <p>Actual date: 19 January 2018</p>
2	<p>Internal Audit reporting</p> <p>A review of minutes identified that internal audit reports are not provided to members of the Joint Board. As a result, there is a risk that members are not aware of any weaknesses that have been identified and may not be able to make informed decisions.</p>	<p>It is recommended that management take internal audit reports to meeting of the Joint Board meetings to allow members to understand the findings of the work carried out.</p>	<p>Internal audit reports have been taken to the Joint Board since the recommendation was made.</p> <p>Responsible officer: Assessor and ERO</p> <p>Target date: 31 March 2018</p> <p>Actual Date: 19 January 2018</p>

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 conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of 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 fraud over income</p> <p>RVJB has a number of funding sources which includes income generation. The extent of income means that, in accordance with ISA 240, there is an inherent risk of fraud that requires an audit response.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over income.</p>
<p>3 Risk of fraud over expenditure</p> <p>ISA 240 presumes a risk of fraud over income which is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The risk of fraud over expenditure applies due to the variety and extent of expenditure incurred by RVJB in delivering services.</p>		<p>transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over income.</p>

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

<p>4 Financial sustainability</p> <p>Financial reports to members highlight uncertainties around future funding and increased pressure on available resources. It is likely future savings will need to be made to achieve a breakeven position and maintain reserves at an appropriate level.</p>	<p>Review of budget monitoring reports during the year and comment on the financial position within the annual audit report.</p>	<p>A review of budget monitoring reports and the financial statements highlight that slightly higher than planned reserves were used in 2017/18. Further use of reserves is also expected in 2018/19. As a result, savings will likely be required in future to ensure services are delivered within budget and to ensure an adequate level of reserves is maintained. A Service Review has been carried out to identify ways in which savings can be delivered going forward.</p> <p>Conclusion: RVJB continues to operate in a challenging financial climate, with difficulties in delivering existing services with the current levels of resources. Management continues to review future savings options.</p>
<p>5 General Data Protection Regulation</p> <p>The General Data Protection Regulation (GDPR) becomes enforceable from May 2018. The regulation makes changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation can result in significant sanctions.</p> <p>Ensuring compliance with the regulation is resource intensive and will require RVJB to designate a Data Protection Officer (DPO). Work is ongoing to ensure RVJB is prepared for GDPR and has the necessary arrangements in place for the enforcement date.</p>	<p>Attendance at Joint Board meetings and review of Joint Board meeting papers.</p> <p>Discussions with management to monitor and discuss developments.</p>	<p>A solicitor from Renfrewshire Council has been appointed as the DPO. In addition, one of the Divisional Assessors and Assistant Electoral Registration Officers has undertaken training to ensure there is inhouse knowledge on GDPR requirements.</p> <p>Conclusion: GDPR has only been enforceable for a short period of time. However, RVJB has been planning for implementation of GDPR over the past year with the support of Renfrewshire Council. Steps have been taken to ensure the statutory requirements of GDPR have been met. Compliance with GDPR will be assessed as part of our audit work over the remainder of the audit engagement.</p>

Renfrewshire Valuation Joint Board

2017/18 Annual Audit Report

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