Renfrewshire Valuation Joint Board

Notice of Meeting and Agenda
Renfrewshire Valuation Joint Board.

Date	Time	Venue
Friday, 26 February 2021	14:00	Remotely by MS Teams ,

KENNETH GRAHAM
Clerk

Membership

Councillors Angela Convery, Annette Ireland, Charlie Gilbert and Paul O'Kane (East Renfrewshire Council); Councillors Graeme Brooks, Colin Jackson, Tommy McVey and Innes Nelson (Inverclyde Council); and Councillors Tom Begg, Jacqueline Cameron, Audrey Doig, Kenny MacLaren, Mags MacLaren, John McIntyre, Jim Sharkey and Andy Steel (Renfrewshire Council).

Councillor Audrey Doig (Convener): Councillor Paul O'Kane (Depute Convener)

Additional Item

I refer to the agenda for the meeting of the Renfrewshire Valuation Joint Board to be held on 26 February 2021 and enclose the undernoted additional report which was not included in the notice calling the meeting and which the Convener has agreed to be considered as an additional item of business.

Items of business

10	**Audit Scotland Annual Audit Plan 2020/21**	**3 - 16**
	Report by Treasurer.	

RENFREWSHIRE VALUATION JOINT BOARD

To: Renfrewshire Valuation Joint Board

On: 26 February 2021

Report by: The Treasurer

Heading: Annual Audit Plan 2020/21

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1. **Background**

1.1 The Annual Audit Plan 2020/21 for the Renfrewshire Valuation Joint Board is submitted for Members' information. It outlines Audit Scotland's planned activities during their audit of the 2020/21 financial year.

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2 Recommendations

2.1 It is recommended that members note the Annual Audit Plan 2020/21 by Audit Scotland (Appendix 1).

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3 Background

3.1 Audit Scotland has submitted an Audit Plan that outlines its approach to the audit of the 2020/21 annual accounts of the Board. This will assess whether the accounts provide a true and fair view of the Board's financial position, and also whether they have been prepared in accordance with proper accounting practice, i.e. the 2019 Code of Practice on Local Authority Accounting in the UK.

3.2 The Audit Plan outlines the responsibilities of the Board and of Audit Scotland; its assessment of key challenges and risks and the approach and timetable for completion of the audit. The risks identified here are included in the audit plans of many bodies that Audit Scotland work with and their inclusion is not a reflection of any specific risk within Renfrewshire Valuation Joint Board.

3.3 The statutory deadline for the approval of the audited accounts for 2020/21 is 31 October 2021. If it is deemed necessary to make any changes to the currently scheduled board dates to accommodate this, a paper will be brought to the Board in May.

Renfrewshire Valuation Joint Board

Annual Audit Plan 2020/21



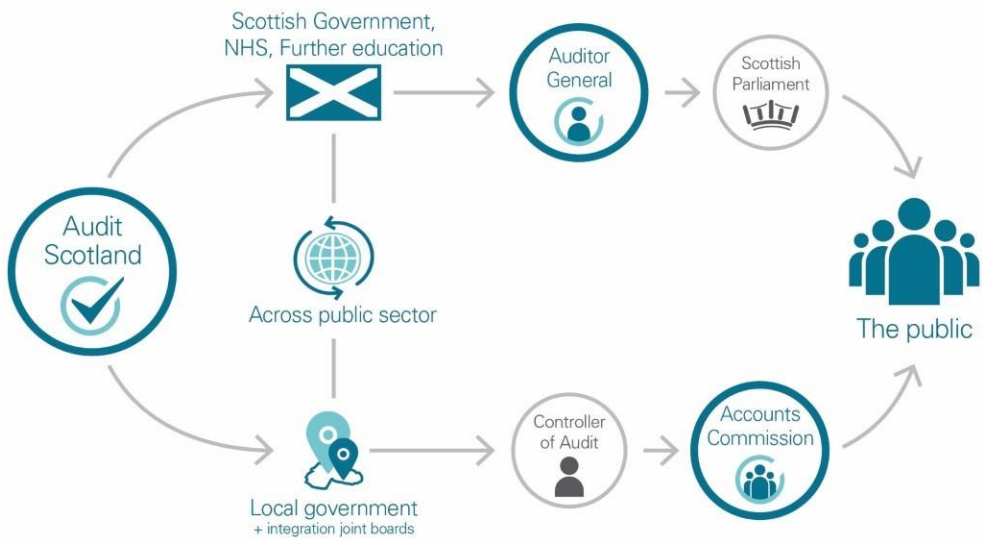
AUDIT SCOTLAND

Prepared for Renfrewshire Valuation Joint Board
February 2021

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.

Contents

Risks and planned work	4
Audit scope and timing	8

Risks and planned work

1. This Annual Audit Plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and Audit Scotland's 2020/21 guidance on planning the audit. This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

3. The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from COVID-19 across the full range of audit work including annual audits and the programme of performance audits. Audit Scotland views 2020/21 as another challenging year and in January 2021 published a paper restating the key principles for our response to COVID-19. It also provided an update on the financial and performance audit programmes. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this Annual Audit Plan may be necessary.

Adding value

5. We aim to add value to Renfrewshire Valuation Joint Board (RVJB) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help RVJB promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

6. Based on our discussions with staff, attendance at board meetings and a review of supporting information, we have identified the following significant risk for RVJB. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in Exhibit 1.

Exhibit 1
2020/21 Significant audit risks

	Audit Risk	Source of assurance	Planned audit work
Financial statements risks			
1	**Risk of material misstatement due to fraud caused by the management override of controls** 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.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	• Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business.
2	**Risk of material misstatement caused by accounting for pensions** 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 of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation. 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.	Any significant estimates and judgements are clearly explained in the Notes to the Accounts. Where these are required, they are based on the best information available at the time of the estimate and on both a professional and a prudent approach, either by Renfrewshire Council staff, or appointed experts, such as the Pension Fund Actuary.	• Assessing the pension fund actuary and information they provide in accordance with ISA 500 • Review of the estimates used, and assumptions made in calculating the pension fund liability.
Wider dimension risks			
3	**Financial sustainability** The 202**0**/21 Revenue Estimates highlight increasing costs in the medium-term, putting pressures on available resources. Co**vid**-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. Recent legislative changes have impacted on the work of RVJB and resulted in new duties they are required to fulfil and tighter timelines.	RVJB Management work closely with the Treasurer to the Board to identify any issues in both the short, medium and long term to ensure appropriate measures are taken to address these matters. Monthly meetings are held to confirm the current financial status and highlight any areas of concern which, if required, the Treasurer and Assessor & ERO will	• Review of budget monitoring reports, future Revenue Estimates and discussions with management on RVJB's medium-term financial position. • Conclude on financial position and financial sustainability within the Annual Audit Report.

Audit Risk	Source of assurance	Planned audit work
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 to be closely monitored going forward. 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. 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.	take on board at their regular meetings throughout the year. If funding from the Scottish Government is passed through to the Board, this should ensure any extra costs incurred in delivering Barclay will be met through this funding. Canvass reform took place last year, which identified savings, but CO are still looking to give some funding this coming financial year until the new canvass process is fully embedded. The result of the triennial valuation is an increased rate of 25% for 2021/22, 2022/23 and 2023/24.	

Source: Audit Scotland

7. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. For RVJB, we have rebutted this risk in 2020/21 because we do not consider this to be a significant risk as there are limited opportunities to manipulate the way income is recognised.

8. In line with Practise Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2020/21. As with income, we do not consider this to be a significant risk as there are limited opportunities to manipulate the way expenditure is recognised.

Reporting arrangements

9. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs as detailed in Exhibit 2, and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

10. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

11. We will provide an independent auditor's report to the Joint Board and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Treasurer, Joint Board and the Accounts Commission with an Annual Audit Report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

12. The target dates below are provisional, and these may be subject to change as the impact of Covid-19 becomes clearer. We will continue to liaise closely with the Joint Board, the Assessor and Electoral Registration Officer and the Treasurer as part of the 2020/21 audit.

Exhibit 2
2020/21 Audit outputs

Audit Output	Target date	Board Date
Annual Audit Plan	24 February 2021	26 February 2021
Independent Auditor's Report	31 October 2021	19 November 2021
Annual Audit Report	31 October 2021	TBC

Source: Audit Scotland

Audit fee

13. The proposed audit fee for the 2020/21 audit of RVJB is £7,610 (2019/20 £7,450). In determining the audit fee we have taken account of the risk exposure of Renfrewshire Valuation Joint Board, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 30 June 2021.

14. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Joint Board and Treasurer

15. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

16. The audit of the annual accounts does not relieve management or the Joint Board, as those charged with governance, of their responsibilities.

Appointed auditor

17. Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

18. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within RVJB to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Annual accounts



19. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of RVJB and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how RVJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

20. We will give an opinion on whether the financial statements:

- give a true and fair view of the state of affairs of RVJB as at 31 March 2021 and of the income and expenditure of RVJB for the year then ended; and
- have been properly prepared in accordance with the financial reporting framework.

Statutory other information in the annual accounts

21. We also review and report on statutory other information published within the annual accounts including the Management Commentary, Annual Governance Statement and the Remuneration Report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

22. We also review the content of the annual accounts for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

Materiality

23. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

24. We calculate materiality at different levels as described below. The calculated materiality values for RVJB are set out in Exhibit 3.

Exhibit 3
Materiality values

Materiality	Amount
Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1.5% of gross expenditure for the year ended 31 March 2020 based on the 2019/20 audited annual accounts.	£42,000
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 planning materiality.	£31,000
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£2,000

Source: Audit Scotland

Internal audit

25. Internal audit is provided by the internal function at Renfrewshire Council. In 2019/20 the Renfrewshire Council audit team carried out an assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). It concluded that the internal audit function at Renfrewshire Council complies with PSIAS and that appropriate documentation standards and reporting procedures are in place. In 2020/21, a review was undertaken by the audit team in line with ISA 315 which confirmed there was no changes which would impact this conclusion.

Using the work of internal audit

26. International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We do not plan to use the work of internal audit for our financial statements audit work. However, we have considered the findings of the work of internal audit as part of our planning process.

Audit dimensions

27. 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, and value for money.

28. The Code of Audit Practice 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. In the light of the nature of operations and arrangements for processing transactions, we plan to apply the small body provisions of the Code of Audit Practice to the 2020/21 audit of RVJB.

Financial sustainability

29. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years)

and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether there are arrangements in place to demonstrate the affordability and effectiveness of funding and investment decisions.

Annual Governance Statement

30. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information. We will review, conclude and report on the appropriateness of disclosures in the Annual Governance Statement.

Independence and objectivity

31. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

32. The engagement lead for RVJB is Mark Ferris, Senior Audit Manager. Auditing and ethical standards require the engagement lead to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of RVJB.

Quality control

33. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

34. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

35. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Renfrewshire Valuation Joint Board

Annual Audit Plan 2020/21

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