

## **RENFREWSHIRE VALUATION JOINT BOARD**

**To:** Renfrewshire Valuation Joint Board

**On:** 18 August 2017

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**Report by:** The Treasurer

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**Heading:** Audited Annual Accounts 2016-17

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### **1. Summary**

- 1.1 At the meeting of the Renfrewshire Valuation Joint Board on 30 June 2017 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 2017, in accordance with the accounting policies detailed in the accounts.
- 1.3 A report on the 2016-17 audit by Audit Scotland is also submitted for members information.
- 1.4 Following the introduction of the Local Authority Accounts (Scotland) Regulations 2014 the audited accounts must be approved for signature by the Joint Board no later than 30 September each year. Following this approval the audited accounts will be submitted to The Assessor & Electoral Registration Officer, The Convenor and The Treasurer for signature.

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### **2 Recommendations**

- 2.1 It is recommended that members approve the audited accounts for signature and note the report by Audit Scotland.
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# Renfrewshire Valuation Joint Board

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Annual Financial Statements 2016/17



**Renfrewshire Valuation Joint Board  
Annual Accounts 2016/17**

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## **Management Commentary**

### **Introduction**

The requirements governing the format and content of local authorities' annual accounts (under s106 of the Local Government (Scotland) Act 1973 joint boards and committees are classed as local authorities) are contained in The Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). The annual accounts are prepared in line with The Local Authority Accounts (Scotland) Regulations 2014.

### **History and Statutory Background**

Renfrewshire Valuation Joint Board was established by the Valuation Joint Boards (Scotland) Order 1995 to carry out the valuation functions of Renfrewshire, East Renfrewshire and Inverclyde Councils. The Joint Board came into existence on 1 April 1996 and was also given the responsibility of carrying out Electoral Registration on behalf of the three constituent authorities.

### **Our Aims**

- To ensure that the services we provide are delivered within statutory provisions
- To ensure that equal opportunities and social inclusion are central elements in our planning and delivery of services
- To strive for continuous improvement in the delivery of our services
- To ensure that our service provision reflects the needs and priorities of our stakeholders
- To consult our stakeholders about the way we develop and deliver our services
- To work in partnership with our constituent authorities to achieve improvements in service provision for our mutual customers
- To publish information about the level of services customers can expect to receive
- To develop clear and effective customer suggestion and complaints systems
- To develop & maintain systems for measuring, monitoring and managing our performance
- To develop systems which encourage employees to communicate openly
- To promote a safe and healthy working environment for our employees
- To encourage our employees to develop themselves to achieve their full potential.

### **Service Plan**

The Service Plan was updated and approved by the Board in January 2017. The Annual update to this plan has also been completed and uploaded to our website.

### **Electoral Registration**

Individual Electoral Registration, which was introduced in 2014-15 is now "business as usual", although it is not without potential for change that may be accompanied by additional costs. There are currently a number of on-going developments to the system. The Cabinet Office had agreed to assist with additional costs associated with this new system for the "life of this parliament".

### **Valuation**

During 2016/17 the main focus of work has been preparing for the Revaluation of Non Domestic property which came into effect on the 1st of April 2017. This has involved the Valuation Staff analysing information and re valuing all 10,350+ non domestic subjects. All of this had to be finalised and be ready to "go live" from mid-March 2017.

The Assessor for Renfrewshire is the "Designated Assessor" for Fixed Line Telecoms throughout Scotland and these Values are entered at the end of the Valuation Roll for the Renfrewshire Council Area. The Revaluation of Telecoms Subjects is a costly exercise, largely arising from the cost of harmonisation across UK with regular meetings in London between SAA, VOA, the Telecoms Companies and Economic Advisors. Significant values in the region of £80m are involved and the risk

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from not properly resourcing the work would be inaccurate and/or unsustainable valuations. Although attending such meetings is a costly exercise, engaging with the VOA and telecom representatives mitigates the risk to these valuations for the whole of Scotland and assists in negating the need for future costly litigation.

Alongside the non-domestic work the Council Tax List has to be maintained with the addition of new houses, deletion of demolished houses and any appeal work which arises throughout the year. There may be a surge in these appeals due to the changes announced by the Scottish Government to the amounts payable by the higher bands of council tax. This work will require to be absorbed into business as usual for the foreseeable future.

### **Performance**

The performance report for 2016/17 was approved at the Joint Board meeting on the 30<sup>th</sup> June 2017.

The full details of the performance report can be found at the address below.

<http://renfrewshire.cmis.uk.com/renfrewshire/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1829/Committee/78/Default.aspx>

### **Financial Performance**

#### **Revenue**

The Comprehensive Income and Expenditure Account on page 18 summarises the total costs of providing services and the income available to fund those services.

A summary of the outturn position against the agreed budget is shown below.

The Joint Board has returned a deficit of £154,657 for the financial year 2016/17, compared to a budgeted deficit of £109,500, returning an overspend of £45,157. This overspend is less than the last reported year end forecast position to the Joint Board due to an application to the Cabinet Office for additional funding being successful and received late March 2017. This overspend excludes accounting adjustments relating to pensions and short-term accumulating compensated absences.

The difference between the employee costs figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension costs (£95,000) and accrued employee benefits (£2,362). The difference between other income in the figure below and the figure reported in the Comprehensive Income and Expenditure report is due to accounting adjustments for pension interest costs (£1,860).



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	Budget £	Actual £	Variance £
Employee Costs	1,801,000	1,846,918	(45,918)
Property Costs	241,500	245,026	(3,526)
Payments to Other Bodies	19,700	8,790	10,910
Supplies and Services	79,900	83,510	(3,610)
Contractors & Others	25,000	10,836	14,164
Administrative Costs	320,100	343,589	(23,489)
<b>Total Expenditure</b>	<b>2,487,200</b>	<b>2,538,669</b>	<b>(51,469)</b>
Requisition Income	(2,213,300)	(2,213,300)	-
Sales, Fees and Charges	(5,000)	(33,458)	28,458
Other Income	(159,400)	(137,254)	(22,146)
<b>Total Income</b>	<b>(2,377,700)</b>	<b>(2,384,012)</b>	<b>6,312</b>
<b>(Surplus)/Deficit for Year</b>	<b>109,500</b>	<b>154,657</b>	<b>(45,157)</b>

The overspend within Employee Costs is due to a low turnover of staff, resulting in turnover targets not being achieved, and also due to higher than anticipated overtime required to address workload pressures associated with the 2017 revaluation exercise.

The publicity and material costs for the School Awareness Campaign were lower than expected which has resulted in the underspend in Payments to Other Bodies.

Consultation fees in relation to valuation appeals have been lower than anticipated leading to the underspend in Contractors and Others, this is anticipated to increase next year.

The overspend within Administration costs is due to the increase in postages for the revaluation notices for Non Domestic Rates and the electoral registration second reminders and also for the subscription to Westlaw, however this is offset by an over recovery in Sales, Fees and Charges.

The over recovery in Sales, Fees and Charges is due to income received for childcare vouchers, which is offset by expenditure in Employee Costs, and also for the income received for the Westlaw subscription from other Local Authorities and Valuation Joint Boards which is offset by expenditure in Administration costs, as mentioned above.

The Other Income under recovery is due to an income reduction from the Cabinet Office to fund Individual Electoral Registration (IER). An application to the Cabinet Office for additional funding was successful, however part of this funding will be required to fund IER costs in 17/18 and was therefore carried forward.

### **Capital and Reserves**

The Joint Board does not have the legal powers necessary to hold assets and as such the organisation has no capital spend. Cash balances held by the Joint Board are matched by creditor balances. The largest creditor balance includes the revenue reserve balance of £312,047.

### **Provisions, Contingencies and Write-offs**

The Joint Board is not aware of any eventualities which may have a material effect on the financial position of the Joint Board, and has made no provisions for such eventualities.

In general, any contingent liabilities known to the Joint Board are covered by insurance arrangements.

There were no debt write-offs during the year.

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**Net Pension Position**

The disclosure requirements for pension benefits under IAS19 are detailed at Note 15. The appointed actuaries have confirmed a net liability position of £4.755 million, a deterioration of £1.969 million in their assessment of the position of the pension fund. This deterioration is a result of a decrease in the real discount rate due to an increase of the price of good quality Corporate Bonds on the specific date set by the accounting standard when calculating the pension financial assumptions. The net deficit position of the pension reserve impacts on the net asset position of the Joint Board as a whole, however the funding of these future liabilities will be met from future requisitions from members and as such the going concern assumption is valid.

The appointed actuaries remain of the view that the asset holdings of the Strathclyde Pension Fund and the contributions from employees and employers together with planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities.

**Events after the Balance Sheet Date**

Events from the Balance Sheet Date until the Date of Signing of the Accounts have been taken into consideration.

The calling of an unexpected snap election means there is no guarantees that financial assistance will be available for the additional costs associated with the new Individual Electoral Registration system. It may be some time before we know the level, or indeed if, any funding is forthcoming.

**Impact of Economic Climate and Future Developments**

The Joint Board recognises the difficult financial climate facing local authorities and has continued to seek efficiencies wherever possible. This allowed the Joint Board to approve a reduced requisition level for 2017/18 and the Joint Board will continue to pursue further efficiencies and cost reductions.

**Conclusion**

We would wish to take this opportunity to acknowledge the team effort required to produce the accounts and to record our thanks to all the staff involved for their continued hard work and support.

**Councillor Audrey Doig**

Convenor  
18 August 2017

**Alan Russell CPFA**

Treasurer  
18 August 2017

**Kate Crawford**

Assessor and Electoral Registration Officer  
18 August 2017

## **Statement of Responsibilities for the Annual Accounts**

### **The Joint Board's Responsibilities**

The Joint Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Joint Board has the responsibility for the administration of those affairs. (section 95 of the Local Government (Scotland) Act 1973). The Director of Finance and Resources at Renfrewshire Council is the designated Officer and operates as the Treasurer for Renfrewshire Valuation Joint Board;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003);
- to Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Joint Board at its meeting on the 18 August 2017.

Signed on behalf of Renfrewshire Valuation Joint Board:

**Councillor Audrey Doig**

Convenor

18 August 2017

### **The Treasurer's Responsibilities**

The Treasurer is responsible for the preparation of the Joint Board's Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates which were reasonable and prudent;
- Complied with legislation;
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Joint Board at the reporting date and the transactions of the Joint Board for the year ended 31 March 2017.

**Alan Russell CPFA**

Treasurer

18 August 2017

## **Governance Statement**

### **Scope of Responsibility**

Renfrewshire Valuation Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Board also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Joint Board's elected members and senior officers are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **The Board's Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Board is directed and controlled. It also describes the way it engages with, and accounts to its stakeholders.

The Board has put in place a system of internal control designed to manage risk to a reasonable level. Internal control cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Joint Board's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The main features of our governance arrangements are summarised below:

- Clearly defined Standing Orders, Scheme of Delegation, Financial Regulations and Tender Procedures,
- Comprehensive business planning arrangements, setting key targets and action plans designed to achieve our corporate objectives,
- Regular public performance reporting,
- Business continuity planning arrangements are in place and regularly reviewed'
- Policies to regulate employee related matters, including the employee code of conduct and disciplinary procedures,
- Arrangements to manage risk, including the risk management strategy and Corporate Risk Register and business continuity plans,
- Clear customer complaints procedures,
- Comprehensive policies and procedures for physical and information security. An anti-fraud and corruption strategy and arrangements supported by a range of policies and guidelines,
- A register of interest is in place and updated on an annual basis
- Internal governance review arrangements including a programme of policy and procedure reviews and a governance working group.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded and material errors are detected and corrected. The system is based on a framework of management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. The system includes:

- Financial management is supported by comprehensive financial regulations and codes,
- Comprehensive budgeting systems, and detailed guidance for budget holders,
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts,
- Setting targets to measure financial and other performance,
- The preparation of regular financial reports that indicate actual expenditure against the forecasts.

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With Renfrewshire Council being the lead authority, all financial transactions of the Joint Board are processed through the financial systems of the Council and are subject to the same controls and scrutiny as those of Renfrewshire Council. This includes regular reviews by the Chief Auditor of Renfrewshire Council.

### **Review of Effectiveness**

Members and officers of the Board are committed to the concept of sound governance and the effective delivery of services and take into account comments made by internal and external auditors.

The effectiveness of the governance framework is reviewed annually by the Assessor and Electoral Registration Officer, including the use of a self-assessment tool involving completion of a 30 point checklist covering four key areas of governance:

- Service Planning and Performance Management
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity

This self-assessment indicated that the governance framework is being complied with in all material respects.

The Board's internal audit service operates in accordance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme following an assessment of risk completed during the strategic audit planning process. The Chief Auditor provides an annual report to the Board and an independent opinion on the adequacy and effectiveness of the system of internal control. The Chief Auditor's annual assurance statement concluded that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Board's internal control systems.

### **Statement on the Role of Chief Financial Officer**

CIPFA published this statement in 2010 and under the Code, the Joint Board is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

The Joint Board complies with the principles set out in CIPFA's Role of the Chief Financial Officer.

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**Assurance**

In conclusion, it is our opinion that the annual review of governance together with the work of internal and external auditors and certification of assurance from the Assessor and Electoral Registration Officer provide sufficient evidence that the principles of good governance operated effectively and the Joint Board complies with its governance arrangements in all material respects. Systems are in place to continually review and improve the governance and internal control environment. Future actions will be taken as necessary to maintain and further enhance the Board's governance arrangements.

**Councillor Audrey Doig**  
Convenor

**Kate Crawford**  
Assessor and Electoral Registration Officer

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## Remuneration report

All information disclosed in sections two to four in this Remuneration Report will be audited by the council's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

### 1. Remuneration policy for elected members

As noted by the Board on the 17<sup>th</sup> May 2013, from the 1<sup>st</sup> April 2013 the Joint Board makes no remuneration payment to any elected member, nor does it pay any expenses, fees or allowances to elected members. Further, no recharges have been made by member authorities in relation to elected member remuneration.

### 2. Remuneration policy for senior employees

The Remuneration Policy of the Joint Board is set in reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. The SJNC advised that it would be a matter for each Council to examine the position of other chief officials. It was agreed at the Joint Board of 24<sup>th</sup> January, 1997 that the salary of the posts of Assessor and Electoral Registration Officer and his depute be set at a percentage of the Chief Executive of Renfrewshire Council, which is currently 67% and 50% respectively. Following a review of Chief Executives' salaries in 2001, it was agreed that this arrangement should continue. These arrangements were agreed through approval of the Salaries of the Assessor and Electoral Registration Officer and Depute Assessor and Electoral Registration Officer report at a meeting of the Joint Board on 22<sup>nd</sup> November, 2002.

2015/16	Senior Employees		2016/17		
Total	Name	Post Held	Salary, fees and allowances	Expenses allowance chargeable to UK income tax	Total
£			£	£	£
99,540	Alasdair MacTaggart (i)	Assessor & Electoral Registration Officer	93,269	-	93,269
69,418	Kate Crawford	Depute Assessor & Electoral Registration Officer	69,920	-	69,920
<b>168,958</b>	<b>Total</b>		<b>163,189</b>	<b>-</b>	<b>163,189</b>

#### Notes

- (i) Salaries Fees and Allowances for Alasdair MacTaggart in 15/16 include £7,452 of backdated payments in relation to prior year Chief Officers pay awards.

### 3. Pension rights

Pension benefits for Joint Board employees are provided through the Local Government Pension Scheme (LGPS).

From 1<sup>st</sup> April 2015 benefits are based on career average pay. Pension benefits are based on the pay received for each year in the scheme increased by the increase in the cost of living, as measured by the appropriate index (or indices). The scheme's normal retirement age is linked to the state pension age for each member.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

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2015/16	Member contribution rates on earnings in the bands below	2016/17
Up to £20,500	5.5%	Up to £20,500
£20,501 to £25,000	7.25%	£20,501 to £25,000
£25,001 to £34,400	8.5%	£25,001 to £34,400
£34,401 to £45,800	9.5%	£34,401 to £45,800
Over £45,801	12%	Over £45,801

If a person works part-time their contribution rate will be based on their part time pay.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of the pensionable pay for each year of membership, adjusted in line with the cost of living. (Prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government employment, not just that relating to their current post.

Senior Employees						
Name	Post Held	Accrued Pension benefits as at 31 March 2017	Change in accrued pension benefits since 31 March 2016		Pension contributions made by RVJB during 2016-2017	
		Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	£
Alasdair MacTaggart	Assessor & Electoral Registration Officer	0.051	0.114	+0.002	+0.001	18,001
Kate Crawford	Depute Assessor & Electoral Registration Officer	-	-	-	-	-
<b>Total</b>		<b>0.051</b>	<b>0.114</b>	<b>+0.002</b>	<b>+0.001</b>	<b>18,001</b>

No pension contributions are made for the Joint Board Convener or Vice Convener



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**4. Remuneration of Employees**

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2016/17, in bands of £5,000.

<b>2015/16</b>	<b>Remuneration Band</b>	<b>2016/17</b>
<b>Number of employees</b>		<b>Number of employees</b>
1	£50,000 - £54,999	1
-	£55,000 - 59,999	-
-	£60,000 - £64,999	-
1	£65,000 - 69,999	1
-	£70,000 - £74,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	1
1	£95,000 - £99,999	-
<hr/>		<hr/>
3		3

**5. Exit Packages**

Renfrewshire Valuation Joint Board had no exit packages in 2016-17.

**Councillor Audrey Doig**  
Convenor

**Kate Crawford**  
Assessor and Electoral Registration Officer

## **Independent Auditors Report**

### **Annual Accounts 2016-17**

#### **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 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Expenditure Funding Analysis, 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 2016/17 (the 2016/17 Code).

##### **In my opinion the accompanying financial statements:**

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its deficit on the provision of services 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 2016/17 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 of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, 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.

##### **Responsibilities of the Treasurer for the financial statements**

As explained more fully in the Statement of Responsibilities, 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.

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**Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation 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&I) 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.

**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 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Report on other requirements**

**Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable 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 Annual 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).

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**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 auditable 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  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

August 2017

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## **Movement in Reserves Statement for the year ended 31 March 2017**

This statement shows the movement in the year on the different reserves held by the Joint Board, analysed into usable reserves (that is, those reserves that can be applied to fund expenditure) and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Joint Board's services, more details of which are shown in the **comprehensive income and expenditure statement**.

		Usable reserves		Unusable reserves	
		Revenue Reserve	Pension Reserve	Employee Statutory Adjustment Account	Total Reserves
	Note	£	£	£	£
<b>Balance at 31 March 2015 carried forward</b>		-	(3,966,000)	(39,963)	(4,005,963)
<i>Movement in reserves during 2015-16</i>					
Surplus or (deficit) on the provision of services	6a	(402,745)			(402,745)
Other comprehensive income and expenditure	6b		1,460,000		1,460,000
<b>Total comprehensive income and expenditure</b>		<b>(402,745)</b>	<b>1,460,000</b>	<b>-</b>	<b>1,057,255</b>
Adjustments between accounting basis and funding basis under regulations	6a & 6b	278,009	(280,000)	1,991	-
Transfer from Creditors	6a	591,440			591,440
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>466,704</b>	<b>1,180,000</b>	<b>1,991</b>	<b>1,648,695</b>
Transfers to or (from) other statutory reserves		-	-	-	-
Transfer to creditors	12	(466,704)	-	-	(466,704)
<b>Increase or (decrease) in 2015-16</b>		<b>-</b>	<b>1,180,000</b>	<b>1,991</b>	<b>1,181,991</b>
<b>Balance at 31 March 2016 carried forward</b>		<b>-</b>	<b>(2,786,000)</b>	<b>(37,972)</b>	<b>(2,823,972)</b>
<i>Movement in reserves during 2016-17</i>					
Surplus or (deficit) on the provision of services	6a	(352,019)			(352,019)
Other comprehensive income and expenditure	6b		(1,774,000)		(1,774,000)
<b>Total comprehensive income and expenditure</b>		<b>(352,019)</b>	<b>(1,774,000)</b>	<b>-</b>	<b>(2,126,019)</b>
Adjustments between accounting basis and funding basis under regulations	6a & 6b	197,363	(195,000)	(2,363)	-
Transfer from Creditors	6a	466,704			466,704
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>312,047</b>	<b>(1,969,000)</b>	<b>(2,363)</b>	<b>(1,659,316)</b>
Transfers to or (from) other statutory reserves					-
Transfer to creditors	12	(312,047)			(312,047)
<b>Increase or (decrease) in 2016-17</b>		<b>-</b>	<b>(1,969,000)</b>	<b>(2,363)</b>	<b>(1,971,363)</b>
<b>Balance at 31 March 2017 carried forward</b>		<b>-</b>	<b>(4,755,000)</b>	<b>(40,335)</b>	<b>(4,795,335)</b>

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**Comprehensive Income and Expenditure Statement for the year ended 31 March 2017**

This statement shows the accounting cost of providing services and managing the Joint Board during the year. It includes, on an accruals basis, all of the Joint Board's day-to-day expenses and related income. It also includes transactions measuring the value of non-current assets actually consumed during the year and the real projected value of retirement benefits earned by employees during the year. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that local authorities need to take into account. The required adjustments between accounting basis and funding basis under regulations are shown in the **movement in reserves statement**.

<b>2015/16</b>			<b>2016/17</b>	
<b>£</b>		<b>Note</b>	<b>£</b>	
2,120,206	Employee Costs		1,944,280	
241,539	Property Costs		245,026	
93,365	Supplies & Services		83,510	
5,189	Contractors		10,836	
403,796	Administration Costs		343,590	
18,010	Payments to Other Bodies		8,790	
<b>2,882,105</b>	<b>Cost of Services</b>		<b>2,636,032</b>	
(16,513)	Sales, Fees & Charges		(33,458)	
(306,946)	Other Income		(135,394)	
125,899	Financing & Investment Income and Expenditure	8	98,139	
(2,281,800)	Requisitions from Members Authorities	13	(2,213,300)	
<b>402,745</b>	<b>(Surplus) or deficit on the provision of services</b>		<b>352,019</b>	
(1,460,000)	Actuarial (Gains) or losses on pension assets and liabilities	15a	1,774,000	
<b>(1,460,000)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>		<b>1,774,000</b>	
<b><u>(1,057,255)</u></b>	<b>Total Comprehensive Income &amp; Expenditure</b>		<b><u>2,126,019</u></b>	

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## **Expenditure Funding Analysis for the year ended 31 March 2017**

This statement shows how annual expenditure is used and funded from resources and provides a reconciliation of the statutory adjustments between the Joint Boards financial performance on a funding basis and the (surplus) or deficit on the provision of service in the Comprehensive Income and Expenditure statement.

<b>2016/17</b>	<b>(Surplus)/Deficit for Year</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding and Accounting basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 31st March 2017	45,157			45,157
Approved draw on reserves	109,500			109,500
Employee Statutory Adjustment		2,362		2,362
Pension Cost			95,000	95,000
Pension Interest			100,000	100,000
<b>(Surplus) or deficit on the provision of service</b>				<b>352,019</b>

<b>2015/16</b>	<b>(Surplus)/Deficit for Year</b>	<b>Net Expenditure Chargeable to the General Fund</b>	<b>Adjustments between Funding and Accounting basis</b>	<b>Net Expenditure in the Comprehensive Income and Expenditure Statement</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance as at 31st March 2016	83,635			83,635
Approved draw on reserves	41,100			41,100
Employee Statutory Adjustment		(1,990)		(1,990)
Pension Cost			150,000	150,000
Pension Interest			130,000	130,000
<b>(Surplus) or deficit on the provision of service</b>				<b>402,745</b>

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**Balance Sheet as at 31 March 2017**

The **balance sheet** shows the value as at 31 March 2017 of the assets and liabilities recognised by the Joint Board. The net assets of the Joint Board (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the Joint Board may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves comprises those that the Joint Board is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets.

2015/16		Note	2016/17
£			£
	<b><u>Current Assets</u></b>		
636,277	Funds held by Renfrewshire Council		453,043
18,401	Debtors and Prepayments	10	34,375
100	Cash in Hand		100
<hr/> 654,778			<hr/> 487,518
	<b><u>less Current Liabilities</u></b>		
(692,751)	Creditors And Accruals	11	(527,853)
<hr/> (37,972)	<b>Net (Liabilities)/Asset Excluding Pension</b>		<hr/> (40,335)
	<b><u>Long Term Liabilities</u></b>		
(2,786,000)	Pension (liability)/Asset	15c	(4,755,000)
<hr/> (2,823,972)	<b>Net (Liabilities)/Asset Including Pension</b>		<hr/> (4,795,335)
	<b><u>Represented by:</u></b>		
	<b>Revenue Reserves:</b>		
	<b>Useable Reserves</b>		
466,704	Balance due to Member Authorities		312,047
(466,704)	Transfer to Creditors	12	(312,047)
	<b>Unuseable Reserves</b>		
(37,972)	Employee Statutory Adjustment Account	6c	(40,335)
(2,786,000)	Pension Reserve	6b	(4,755,000)
<hr/> (2,823,972)			<hr/> (4,795,335)

The audited accounts were authorised for issue issued on 18 August 2017.  
Balance sheet signed by:

**Alan Russell CPFA**  
Treasurer  
18 August 2017



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**Cash flow Statement for the year ended 31 March 2017**

This statement shows the changes in cash and cash equivalents during the year. It shows how the Joint Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Board are funded by way of requisition income or from the recipients of services provided. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Joint Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Joint Board.

2015/16 £		2016/17 £
	<b>Operating Activities</b>	
	<b>Cash Inflows</b>	
(2,551,626)	Sale of goods and rendering of services	(2,440,443)
(4,101)	Interest received	(1,861)
<b>(2,555,727)</b>	<b>Cash inflows generated from operating activities</b>	<b>(2,442,304)</b>
	<b>Cash Outflows</b>	
1,583,895	Cash paid to and on behalf of employees	1,630,925
687,449	Cash paid to suppliers of goods and services	644,373
376,013	Other payments for operating activities	350,240
<b>2,647,357</b>	<b>Cash outflows generated from operating activities</b>	<b>2,625,538</b>
<b>91,630</b>	<b>Net (increase)/decrease in cash and cash equivalents</b>	<b>183,234</b>
728,007	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council	636,377
636,377	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council	453,143
<b>91,630</b>	<b>Net cash (inflow)/outflow in cash and cash equivalents in year</b>	<b>183,234</b>

## **Note 1 Summary of Significant Accounting Policies**

The Financial Statements for the year ended 31 March 2017 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Service Reporting Code of Practice for Local Authorities 2016/17, (SeRCOP) supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Joint Board and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

**Accruals basis** - the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received.

**Going concern** - the going concern concept assumes that the Joint Board will continue in existence for the foreseeable future.

**Understandability** – users of the financial statements are assumed to have a reasonable knowledge of accounting and local government.

**Relevance** – the information in the financial statements is useful for assessing Joint Board's stewardship of public funds and for making economic decisions.

**Materiality** - information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information.

**Reliability** – information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared.

**Primacy of legislative requirements** - legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

The accounts have been prepared under the historic cost convention. The following accounting policies used in the preparation of the statements have been reviewed in line with changes made to the Accounting Code following the introduction of International Financial Reporting Standards.

### **Accruals of Expenditure and Income**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- i. Revenue from the sale of goods is recognised when the Joint Board transfers the significant risks and rewards of ownership to the purchaser, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Board.
- ii. Revenue from the provision of services is recognised when the Joint Board can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Joint Board.
- iii. Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

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- iv. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- v. Suppliers invoices paid in the two weeks following the year-end are accrued together with specific accruals in respect of further material items provided the goods or services were received by the Balance Sheet date.

### **Cash and Cash Equivalents**

Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

### **Contingent Assets and Liabilities**

Contingent assets and liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts where they are deemed material.

### **Employee Benefits**

#### Benefits payable during employment

All salaries and wages earned up to the balance sheet date are included in the accounts irrespective of when payment was made. An accrual is made for the cost of holiday and flexi-leave entitlements earned by employees but not taken before the year end; and which employees may carry forward into the next financial year.

#### Termination benefits

Termination benefits are amounts payable as a result of a decision by the Joint Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance. They are charged on an accruals basis to the Employee Costs line in the Comprehensive Income and Expenditure Statement when the Joint Board is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary severance. The Joint Board is only demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal; and agreement to the termination has been granted by the Joint Board.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Revenue balances to be charged with the amount payable by the Joint Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post employment benefits

The Joint Board participates in the Local Government Pension Scheme which is administered by the Strathclyde Pension Fund. The Local Government Pension Scheme is accounted for as a defined benefit scheme, and in accordance with International Accounting Standard 19 (IAS19) the Joint Board has disclosed certain information concerning the assets, liabilities, income and expenditure relating to the pension scheme. IAS 19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future.

This involves the recognition in the Balance Sheet of the Joint Board's share of the net pension asset or liability in the Strathclyde Pension Fund and a pension reserve. The Comprehensive Income and Expenditure Statement also recognises changes during the year in the pension asset or liability.

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Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The liabilities of the Strathclyde Pension Fund attributable to the Joint Board are included in the Balance Sheet on an actuarial basis using the projected unit method ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on the current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The assets of the Strathclyde Pension Fund attributable to the Joint Board are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, and estimated fair value for unquoted securities.

Note 15 to the Core Financial Statements provides further information.

#### **Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statements are authorised for issue.

There are two types of events:

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statements. Note 5 provides further information.

#### **Prior Period Adjustment**

Where there has been a change in accounting policy, that change will be applied retrospectively, that is, prior period figures will be restated unless the Code specifies transitional provisions that shall be followed. Where there has been a change in accounting estimate, that change will be applied prospectively, that is, prior period figures will not be restated. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement or omission will be restated unless it is impracticable to do so.

#### **Government Grants and other Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Joint Board when there is reasonable assurance that:

- the Joint Board will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Joint Board are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Monies advanced as grants and contributions are carried in the Balance Sheet as creditors.

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### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Joint Board is not party to any finance leases.

#### *Operating Leases*

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease). The risks and rewards of ownership remain with the lessors along with the title of the property.

### **Property, Plant and Equipment**

Renfrewshire Valuation Joint Board is a Joint Board as constituted under s106(1) of the Local Government (Scotland) Act 1973. The Joint Board has no legal power to hold assets. Any cash assets held are matched by an equivalent creditor balance.

### **Provisions**

Provisions are made where an event has taken place that gives the Joint Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that Renfrewshire Valuation Joint Board becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Joint Board settles the obligation.

### **Reserves**

The Joint Board has three reserve funds. The Revenue Reserve contains any balance of requisition income from members of the Joint Board.

The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Joint Board share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Joint Board's share of the Pension Fund net liability chargeable to the Income and Expenditure Account.

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the Revenue Reserve from accruing for short term accumulating absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate. This means that where employees' full holiday entitlement, time in lieu or credit flexi-time balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements require that the impact of such accrued expenditure on the Revenue Reserve is neutralised by transfers to or from the Employee Statutory Adjustment Account.

## **VAT**

Income and Expenditure excludes any amount relating to Value Added Tax (VAT), as all VAT is payable to HM Revenue & Customs and all VAT is recoverable from them.

## **Note 2 Accounting Standards Issued not Adopted**

There are no accounting standards relevant to the financial statements of the Joint Board which have not been adopted.

## **Note 3 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Joint Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below.

Leases	An analysis of the terms of the lease for the Robertson Centre has concluded it is an operating leases.
--------	---------------------------------------------------------------------------------------------------------

## **Note 4 Assumptions made about the future**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Results differ from Assumption</b>
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Board with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £2.139 million. However, the assumptions interact in complex ways. During 2016/17, the appointed actuaries advised that the net pensions liability had increased by £1.774 million attributable to updating of the assumptions.

## **Note 5 Events after the balance sheet date**

Events taking place after the authorised for issue date per the balance sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non adjusting events.

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**Note 6 Details of Movement in Reserves**

**a. Revenue Reserve**

2015/16		2016/17
£		£
(591,440)	Balance as at 1 April	(466,704)
(280,000)	Transfer to pension reserve	(195,000)
1,991	Transfer to employee statutory adjustment account	(2,363)
402,745	(Surplus) or Deficit on provision of services (from the Comprehensive Income & Expenditure Account)	352,019
<b>(466,704)</b>	<b>Balance as at 31 March</b>	<b>(312,047)</b>

**b. Pension Reserve**

2015/16		2016/17
£		£
(3,966,000)	Balance as at 1 April	(2,786,000)
1,460,000	Actuarial Gains and Losses (see note 15)	(1,774,000)
(280,000)	Net additional amount required by statute and non-statutory proper practices to be taken into account when determining the surplus or deficit on the revenue reserves for the year	(195,000)
<b>(2,786,000)</b>	<b>Balance as at 31 March</b>	<b>(4,755,000)</b>

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Joint Board accounts for post-employment benefits in the **comprehensive income and expenditure statement** as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Joint Board makes employer's contributions to pension funds. The debit balance on the Pension Reserve shows a significant shortfall in the benefits earned by past and current employees and the Joint Board's share of Strathclyde Pension Fund resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.



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**c. Employee Statutory Adjustment Account**

2015/16		2016/17
£		£
(39,963)	Balance as at 1 April	(37,972)
39,963	Reversal of prior year accrual for short-term accumulating compensated absences	37,972
(37,972)	Recognition of the accrual for short-term accumulating compensating absences at 31 March	(40,335)
<u>(37,972)</u>	<b>Balance as at 31 March</b>	<u>(40,335)</u>

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on revenue balances from accruing for short-term accumulating compensated absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate. This means that where employees' full holiday entitlement, time in lieu or credit flexi-time balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements require that the impact of such accrued expenditure on revenue balances is neutralised by transfers to or from the Employee Statutory Adjustment Account.

**Note 7 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement**

The deficit for the year on the Revenue Reserves was £197,363 greater than the Comprehensive Income and Expenditure Statement result. The table below gives a breakdown of the differences between the income and expenditure included in the Joint Board's Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts that statute and non-statutory proper practice require the Joint Board to debit and credit the Revenue Reserve Balance.

2015/16		2016/17
£		£
	<b>Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining Movement in Reserves Statement</b>	
(515,000)	Net charges made for retirement benefits in accordance with IAS19	(437,000)
1,991	Net charges for employment short-term accumulating absences	(2,363)
<u>(513,009)</u>		<u>(439,363)</u>
	<b>Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining Movement in Reserves Statement</b>	
<u>235,000</u>	Employers contributions payable to the Strathclyde Pension Fund	<u>242,000</u>
<u>(278,009)</u>	<b>Net additional amount required to be debited or credited to the Revenue Reserves balance for the year</b>	<u>(197,363)</u>



**Renfrewshire Valuation Joint Board  
Annual Accounts 2016/17**

**Note 8 Financing & Investment Income**

2015/16 £		2016/17 £
(4,101)	Interest on Balances	(1,861)
130,000	Pension Interest Cost	100,000
<u>125,899</u>	<b>Total Financing and Investment Income</b>	<u>98,139</u>

**Note 9 Operating Leases**

The Joint Board has acquired office accommodation at the Robertson Centre in Paisley by entering into an operating lease which was originally until 2020 but has been extended to 2024. A previous agreement with Inverclyde Council to rent office space within their Customer Service Centre in Greenock ended in August 2015. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £55,000 (2015/16 £55,581).

2015/16 £		2016/17 £
	Future Minimum Lease Payments	
55,000	- not later than one year	55,000
165,000	- later than one year and not later than five years	220,000
-	- later than five years	110,000
<u>220,000</u>	<b>Total</b>	<u>385,000</u>

**Note 10 Debtors**

2015/16 £		2016/17 £
-	Other local authorities	-
18,401	Other Entities and Individuals	34,375
<u>18,401</u>	<b>Total short term debtors</b>	<u>34,375</u>

**Renfrewshire Valuation Joint Board  
Annual Accounts 2016/17**

**Note 11 Creditors**

2015/16		2016/17
£		£
-	Central government bodies	-
466,704	Other local authorities	312,047
37,972	Short Term Accumulating Absences	40,335
149,828	Accrued Payrolls	110,315
38,246	Other entities and individuals	65,156
<b><u>692,751</u></b>	<b>Total short term creditors</b>	<b><u>527,853</u></b>

**Note 12 Transfer to Creditors**

2015/16		2016/17
£		£
<b><u>466,704</u></b>	In terms of Section 58 of the Local Government (Scotland) Act 1973, Joint Boards have no specific powers to retain reserves to meet future funding requirements and the amount due to member authorities has been transferred to creditors.	<b><u>312,047</u></b>

**Note 13 Related parties**

The Joint Board's related parties are those bodies or individuals that have the potential to control or significantly influence the Joint Board, or to be controlled or significantly influenced by the Joint Board. The Joint Board is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties. Disclosure of this information allows readers to assess the extent to which the Joint Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Joint Board.

The member authorities of the Joint Board have contributed requisitions in the following proportions to enable the Joint Board to carry out its objectives. As approved by the Joint Board in February 2000, the relative allocation of the requisition across constituent authorities is adjusted each year in line with relative proportions of Grant Aided Expenditure as issued by the Scottish Government.

2015/16			2016/17
£	Council	Percentage	£
467,800	East Renfrewshire	20.6%	455,900
531,700	Inverclyde	23.3%	515,700
<u>1,282,300</u>	Renfrewshire	<u>56.1%</u>	<u>1,241,700</u>
<b>2,281,800</b>	<b>Total</b>	<b>100.0%</b>	<b>2,213,300</b>

The Joint Board in turn pays Renfrewshire Council for support services. The amount paid in respect of these services for the year ended 31 March 2017 was £86,679 (2015/16 £106,770).

#### **Note 14 External audit costs**

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2016-2017 were £6,970 (£7,090 in 2015/16). There were no fees paid to Audit Scotland in respect of any other services.

#### **Note 15 Retirement Benefits**

As part of the terms and conditions of employment of its employees, the Joint Board offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Board has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The scheme for employees is the Strathclyde Pension Fund which is administered by Glasgow City Council. This is a "funded" defined benefit final salary scheme meaning that the Joint Board and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

##### **15a. Transactions relating to retirement benefits**

The cost of retirement benefits is recognised in Gross Expenditure when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension contributions payable by the Joint Board in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers' contributions.

**Renfrewshire Valuation Joint Board  
Annual Accounts 2016/17**

The following transactions have been made in the accounting statements in 2016/17:

2015/16 £	Note	2016/17 £
<b>Comprehensive Income &amp; Expenditure Statement</b>		
Cost of Services		
385,000	(i)	337,000
-		-
-	(ii)	-
385,000		337,000
<b>Financing &amp; Investment Income &amp; Expenditure</b>		
130,000	(iii)	100,000
515,000		437,000
<b>Total Post-employment Benefits charged to the Surplus or Defecit on the Provision of Services</b>		
<b>Other post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
64,000		(2,191,000)
(1,426,000)		3,901,000
(98,000)		64,000
(1,460,000)		1,774,000
<b>Total post employment benefit charged to the Comprehensive Income and Expenditure Statement</b>		
(945,000)		2,211,000
Movement in Reserves Statement		
	(iv)	
(1,180,000)		1,969,000
235,000		242,000
<b>Employers Contributions paid to Strathclyde Pension Fund</b>		

Notes

- i. Current service cost is the cost of future entitlements to pension payments to current employees
- ii. Curtailments are the pension costs to employees retired under redundancy terms.
- iii. The net Interest is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase during the year in the present value of the Joint Committee's share of the Strathclyde Pension Fund's liabilities because they are one year closer to settlement.
- iv. The Movement on Pension Reserve represents the net change in the pension liability recognised in the Movement in Reserves Statement for pension payments made by the Joint Board to the Strathclyde Pension Fund during the year (£195,000).

**Renfrewshire Valuation Joint Board  
Annual Accounts 2016/17**

The Joint Board is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2016/17 these amounted to £4,481 (2015/16 £4,634). In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £1.774 million are included in the Movement in Reserves Statement (2015/16 £1.460 million gain). The cumulative amount of actuarial losses is £4.723 million (2015/16 £2.949 million).

**15b. Assets and liabilities in relation to retirement benefits**

A reconciliation of the Joint Board's share of the present value of the Strathclyde Pension Fund's liabilities is as follows:

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
14,799	Opening present value	13,879
385	Current service cost	337
476	Interest Cost	488
79	Employee Contributions	83
	Remeasurement (gains)/losses:	
(1,524)	Actuarial (gains)/losses arising from changes in financial assumptions	3,965
-	Unfunded benefits paid	(2)
(336)	Benefits Paid	(294)
<b>13,879</b>	<b>Closing present value of scheme liabilities</b>	<b>18,456</b>

A reconciliation of the Joint Board's share of the fair value of the Strathclyde Pension Fund's assets is as follows:

<b>2015/16</b>		<b>2016/17</b>
<b>£000</b>		<b>£000</b>
10,833	Opening Fair Value	11,093
346	Interest Income	388
	Remeasurement gain/(loss):	
(64)	Return on assets excluding amounts included in net interest	2,191
235	Contributions from employer	240
79	Contributions from employee	83
-	Contributions in respect of unfunded benefits	2
-	Unfunded benefits paid	(2)
(336)	Benefits Paid	(294)
<b>11,093</b>	<b>Closing fair value of scheme assets</b>	<b>13,701</b>

**Renfrewshire Valuation Joint Board  
Annual Accounts 2016/17**

**15c. Fund history**

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
Present Value of Liabilities	(11,234)	(12,298)	(14,799)	(13,879)	(18,456)
Fair value of assets	9,243	9,855	10,833	11,093	13,701
<b>Surplus/(deficit) in the scheme</b>	<b>(1,991)</b>	<b>(2,443)</b>	<b>(3,966)</b>	<b>(2,786)</b>	<b>(4,755)</b>

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy.

The total liability of £4.755 million has a substantial impact on the net worth of the Joint Board as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Joint Board remains assured. The deficit on the Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary.

The total contributions expected to be made by the Joint Committee to the Strathclyde Pension Fund in the forthcoming year to 31 March 2018 is £0.240 million.

**15d. Basis for estimating assets and liabilities**

The Joint Board's share of the liabilities of the Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2014.

The principal assumptions used by the actuary have been:

2015/16	Financial Year:	2016/17
<b>Mortality assumptions</b>		
	Longevity at 65 for current pensioners	
22.1 years	• Men	22.1 years
23.6 years	• Women	23.6 years
	Longevity at 65 for Future pensioners	
24.8 years	• Men	24.8 years
26.2 years	• Women	26.2 years
4.2%	Rate of increase in salaries*	4.4%
2.2%	Rate of increase in pensions	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%
	Take-up of option to convert annual pension into retirement lump sum:	
50.0%	Pre April 2009 service	50.0%
75.0%	Post April 2009 service	75.0%

**Renfrewshire Valuation Joint Board  
Annual Accounts 2016/17**

The pension scheme's assets consist of the following categories, by proportion of the total assets held:

<b>2015/16</b>			<b>2016/17</b>
<b>£000</b>		<b>Percentage</b>	<b>£000</b>
	<b>Equity Securities</b>		
1,040	Consumer	9.5%	1,296
831	Manufacturing	7.5%	1,029
327	Energy and Utilities	3.0%	407
765	Financial Institutions	7.0%	954
448	Health and Care	4.1%	557
633	Information Technology	5.8%	788
<b>4,044</b>	<b>Total Equity</b>	<b>36.7%</b>	<b>5,031</b>
	<b>Private Equity</b>		
1,079	All	8.2%	1,130
<b>1,079</b>	<b>Total Private Equity</b>	<b>8.2%</b>	<b>1,130</b>
	<b>Real Estate</b>		
1,192	UK Property	12.1%	1,653
-	Overseas Property	0.0%	-
<b>1,192</b>	<b>Total Real Estate</b>	<b>12.1%</b>	<b>1,653</b>
	<b>Investment Funds &amp; Unit Trusts</b>		
2,879	Equities	32.2%	4,406
1,354	Bonds	5.6%	769
4	Commodities	0.1%	9
-	Infrastructure	0.0%	-
156	Other	1.4%	186
<b>4,393</b>	<b>Total Investment Funds &amp; Unit Trusts</b>	<b>39.2%</b>	<b>5,370</b>
	<b>Derivatives</b>		
-	Inflation	0.0%	-
-	Interest Rate	0.0%	-
-	Foreign Exchange	0.0%	2
3	Other	0.0%	-1
<b>3</b>	<b>Total Derivatives</b>	<b>0.0%</b>	<b>1</b>
	<b>Cash &amp; Cash Equivalents</b>		
382	All	3.8%	516
<b>382</b>	<b>Total Cash &amp; Cash Equivalents</b>	<b>3.8%</b>	<b>516</b>
<b>11,093</b>	<b>Total</b>	<b>100%</b>	<b>13,701</b>

**15e. Impact on cashflows**

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions has been set at 19.3% for 2016-17 and 2017-18.

**Note 16 Contingent Liabilities and Assets**

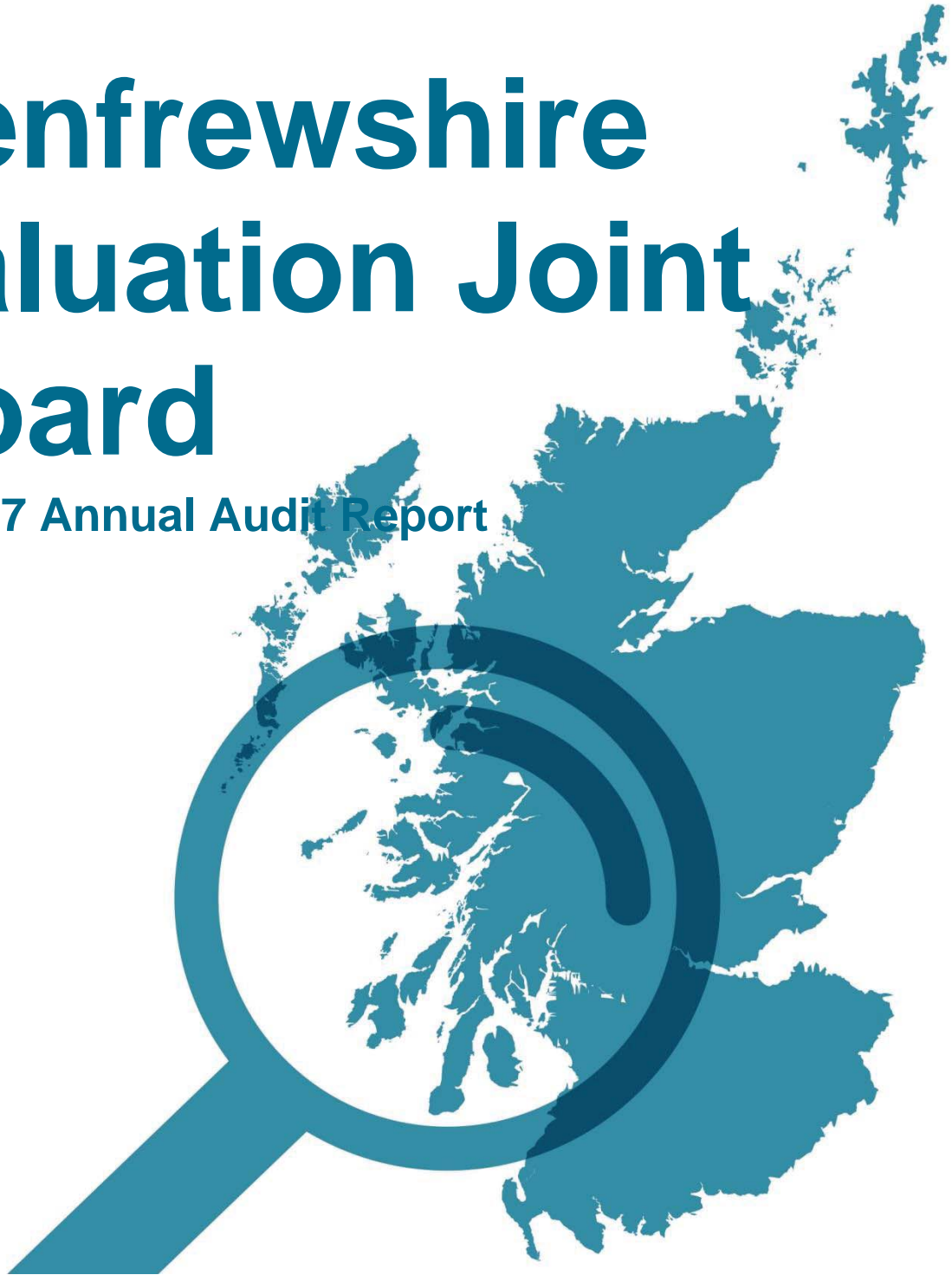
As at the Balance Sheet date the Joint Board had no material contingent assets or liabilities.





# Renfrewshire Valuation Joint Board

2016/17 Annual Audit Report



 **AUDIT SCOTLAND**

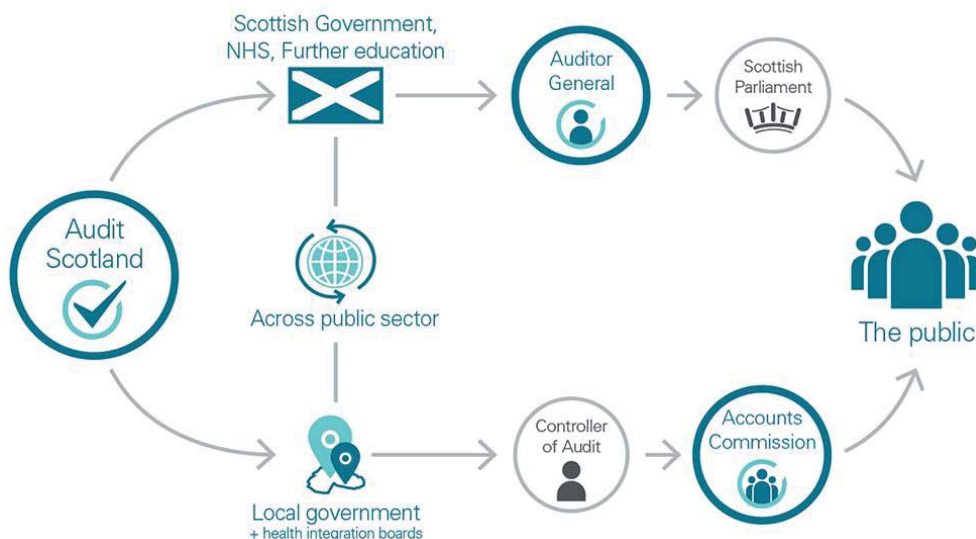
To Members of the Renfrewshire Valuation Joint Board and the Controller of Audit

29 August 2017

# Who we are

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

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



## About us

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

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

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

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# Key messages

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## Audit of the 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.
- 2 One minor misstatement was identified and this was adjusted by management.

## Financial management

- 3 Net expenditure outturn during the year was higher than budgeted which resulted in an increased use of reserves than originally planned.
- 4 The Joint Board has found it difficult to deliver services within budget over the last 4 years.
- 5 Savings have been delivered mainly through containing staff costs. This has been achieved through natural turnover, restructuring senior management structures and limited use of voluntary early retirement.

## Financial sustainability

- 6 The Joint Board's financial position has been managed through the use of reserves. However, declining reserves, rising demands, increasing costs and possible reductions to requisition income will continue to put a strain on the Joint Board's capacity to deliver the current level of service.
- 7 The level of useable reserves is forecast to fall to £0.193 million by the end of 2017/18. It is recommended that the balance held in reserves continues to be reviewed to ensure there are sufficient funds to address ongoing demand on services.

## Governance and transparency

- 8 The Joint Board has appropriate governance arrangements in place to support the scrutiny of decision making. However, a number of policies and procedures require to be reviewed and updated.
- 9 The Joint Board is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.
- 10 Internal audit reports are only reviewed by management and are not shared with members of the Joint Board.

## Value for money

- 11 Performance has deteriorated since 2015 with the 2017 revaluation exercise highlighted as a contributing factor.



# Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of Renfrewshire Valuation Joint Board (RVJB).
2. The scope of the audit was set out in our Annual Audit Plan presented to the January 2017 meeting of the Joint Board. This report comprises:
  - an audit of the annual report and accounts
  - consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1 \(page 5\)](#).

## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
  - an interim audit of Renfrewshire Council's main financial systems and governance arrangements which are used by RVJB
  - an audit of RVJB's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.
4. RVJB is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.
6. As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within RVJB to manage its performance and use of resources such as money, staff and assets. Additionally, we consider RVJB's best value arrangements. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
8. This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
9. Our Annual Audit Report contains an action plan at [Appendix 1 \(page 22\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the Joint Board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
12. We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.



# Part 1

## Audit of 2016/17 annual report and accounts



### Main judgements

**Unqualified audit opinions on RVJB's annual report and accounts.**

**One minor misstatement was identified and this was adjusted by management.**

### Unqualified audit opinions

- 13.** The annual report and accounts for the year ended 31 March 2017 were approved by the Joint Board on 18 August 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
  - unqualified opinions on the management commentary, remuneration report and annual governance statement.
- 14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The Joint Board's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

### Submission of RVJB's annual report and accounts for audit

- 15.** We received the unaudited annual report and accounts on 9 June, in line with the audit timetable set out in our 2016/17 Annual Audit Plan.
- 16.** The working papers provided with the unaudited report and accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

### Risk of material misstatement

- 17.** [Appendix 2 \(page 24\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and our conclusions.

### Materiality

- 18.** Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.
- 19.** Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit](#)

[2 \(page 8\)](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

## Exhibit 2

### Materiality values

Materiality level	Amount
<b>Overall materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1 per cent of gross expenditure for the year ended 31 March 2017.	£27,300
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75 per cent of overall materiality.	£20,400
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£1,000

Source: Audit Scotland

### How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. There was one error of £2,279 identified which was above the reporting threshold and was adjusted in the audited annual report and accounts. The impact of this adjustment was to increase expenditure and accruals by this amount.
22. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. All errors identified were adjusted by management.

### Significant findings

23. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3 \(page 9\)](#).

## Exhibit 3

### Significant findings from the audit of RVJB

Issue	Resolution
<b>1. Accruals</b> As part of audit work an expenditure transaction relating to 2016/17 was identified which had not been accrued in the annual report and accounts. As a result, expenditure and accruals were understated by £2,279.	Management agreed to adjust for this error and expenditure and accruals both increased by £2,279.

### Going concern

- 24.** The financial statements of RVJB have been prepared on the going concern basis. No issues were identified with the assessment on going concern.

### Other findings

- 25.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

### Objections

- 26.** The Local Authority Accounts (Scotland) Regulations 2014 require a local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. RVJB complied with the regulations.

# Part 2

## Financial management



### Main judgements

**Net expenditure outturn during the year was higher than budgeted which resulted in an increased use of reserves than originally planned.**

**RVJB has found it difficult to deliver services within budget over the last 4 years.**

**Savings have been delivered mainly through containing staff costs. This has been achieved through natural turnover, restructuring senior management structures and limited use of voluntary early retirement.**

### Financial performance in 2016/17

27. In January 2016 RVJB approved its budget for 2016/17. Total budget expenditure was £2.487 million and total budget income was £2.378 million. This resulted in a forecast deficit of £0.110 million which management planned to meet through the use of reserves.
28. Actual outturn for the year was total expenditure of £2.539 million and total income of £2.384 million. This resulted in a deficit of £0.155 million for the year which was £0.045 million higher than the budgeted figure.
29. The largest source of income was requisitions from members of the Joint Boards. This was £2.213 million in 2016/17, a reduction of £0.069 million from 2015/16 (£2.282 million), adding to the pressures on resources. Despite the budget pressures, the budget was aligned to RVJB's statutory objectives to ensure services were delivered.
30. Details of significant variances are summarised in [Exhibit 4 \(page 11\)](#). RVJB has found it difficult to deliver services within budget over the last 4 years. In 2014/15 there was a large surplus for the year due to income received from the Cabinet Office and Scottish Government for Individual Electoral Registration, Public Services Network and the Scottish Referendum against a breakeven forecast in the budget. However, in each of the other years there have been larger deficits than originally forecast in the budget which resulted in higher than planned use of reserves ([Exhibit 5 \(page 11\)](#)).
31. The deficit of £0.155 million reported in the Management Commentary is different to the deficit of £0.352 million reported in the Comprehensive Income and Expenditure Statement (CIES). This is due to accounting adjustments required for pension costs and the employee leave accrual. As the budget is prepared and monitored in this way, it is appropriate for it to be detailed in the Management Commentary in this way.

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

## Exhibit 4

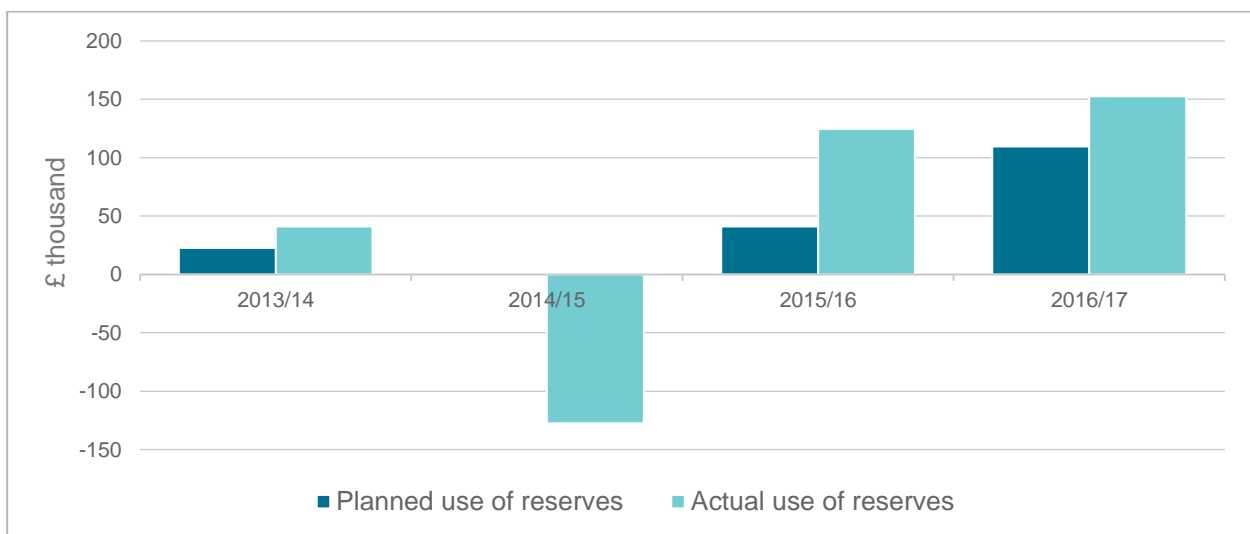
Summary of significant over and under spends/recovery against budget

Area	Under/over spend/recovery (£)	Reason(s) for variance
<b>Underspends/over recovery</b>		
Sales, Fees and Charges	£28,458	Due to income received for childcare vouchers and for the Westlaw subscription from other Joint Boards and valuation joint boards. Both are offset by increases in employee and administration costs respectively.
<b>Overspends/under recovery</b>		
Employee Costs	£45,918	Due to low staff turnover and higher than anticipated overtime.
Administration Costs	£23,489	Due to increases in postage costs and the Westlaw subscription outlined above.
Other Income	£22,146	Due to income reduction from the Cabinet Office to fund Individual Electoral Registration (IER).

Source: RVJB annual report and accounts 2016/17

## Exhibit 5

Analysis of planned use of reserves against actual use of reserves



Source: RVJB annual report and accounts 2013/14 – 2016/17

## Efficiency savings

32. With reduced requisition funding from the members of the Joint Board and continued pressures to deliver services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.
33. Savings have been achieved in past years mainly through reductions in staff costs. These savings have been achieved by deleting posts of staff that have left, delaying the time taken to fill vacancies and through the use of voluntary exits. Savings have also been achieved through the closure of RVJB's Greenock office and the renegotiation of contracts to obtain more favourable terms.
34. The Assessor and Electoral Registration Officer (ERO) retired in May 2017 and was replaced by the Deputy Assessor and ERO. As part of the strategy to make savings the Deputy Assessor and ERO post has not been replaced. The responsibilities of the Deputy Assessor and ERO have been delegated to a number of staff. The deletion of this role is expected to generate savings of around £0.060 million per annum.
35. A report was presented to the Joint Board in August 2016 which highlighted staff numbers had reduced from 55 full time equivalents (FTE) in 2007 to 42 FTE at the date of the report, a reduction of 24 per cent. The report highlighted that staff numbers are now at a minimum level and further reductions to achieve savings will impact on future service delivery. Going forward alternative measures will be required to achieve savings if there is no increase in income.

## Budgetary monitoring and control

36. The [\*Local Government in Scotland: Financial overview 2015/16\*](#) (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for local government bodies with decreasing (or low levels) of usable reserves to rely on. An analysis of reserves can be seen in Part 3 of the report.
37. We noted that RVJB's budget is aligned to its statutory objectives. Budgets are approved by the Joint Board and budget monitoring updates are provided at each meeting of the Joint Board. The budget monitoring updates provide details on variances against the budget and forecast year-end positions. This allows members and officers to take actions to address variances and address forecast over and under spends.
38. Detailed savings and budget pressure reports are also provided to the Joint Board throughout the year. These are less frequent than the budget monitoring updates but are important in providing details on the budgetary pressures and issues affecting RVJB. Where applicable, these reports incorporate scenario planning to highlight the different impact on outcomes.

## Internal controls

39. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that RVJB has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
40. The systems in place at RVJB are hosted by Renfrewshire Council and were assessed as part of the Renfrewshire Council audit. As part of the Renfrewshire Council audit we concluded that the key controls were operating effectively, although there were areas where improvements could be made.

Overall, no significant control weaknesses were identified which could affect the Council's, and by extension RVJB's, ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Prevention and detection of fraud

41. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed RVJB's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, and fraud prevention.
42. Based on the evidence reviewed by us, we concluded that the RVJB has adequate arrangements in place for the prevention and detection of fraud.

## National Fraud Initiative

43. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.
44. RVJB does not participate in the NFI exercise. This was reported within the Action Plan in the 2015/16 Annual Audit Report. Due to the nature of operations the majority of expenditure incurred relates to staff costs and the majority of income received is from requisitions. These are low risk areas as requisition income is agreed by the members of the Joint Board and the payroll system is hosted and operated by Renfrewshire Council. This separates and minimises control and opportunities for fraud.
45. Renfrewshire Council participates in the NFI exercise and if any frauds are identified the improvements to systems would also impact on RVJB due to the use of Renfrewshire Council's financial systems.
46. While we recognise the reasons why RVJB does not currently participate in the NFI exercise, we would recommend RVJB and Renfrewshire Council discuss the possibility to participate in the NFI exercise in future.

# Part 3

## Financial sustainability



### Main judgements

**The Joint Board's financial position has been managed through planned use of reserves. However, declining reserves, rising demands, increasing costs and possible reductions to requisition income will continue to place a strain on the Joint Board's capacity to deliver the current level of service.**

**The level of useable reserves is forecast to fall to £0.193 million by the end of 2017/18. Management monitor the reserves position and it is recommended this continues to be reviewed to ensure there are sufficient funds to address ongoing demand on services.**

### Financial planning

47. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to RVJB's strategies. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on RVJB.
48. RVJB's budgets are prepared on an annual basis and do not include longer term strategies. The Accounts Commission recommended that when future Scottish Government funding is not known, bodies should plan for a range of scenarios so they are prepared for different levels of funding and income.
49. This was recommended in the 2015/16 Annual Audit Report. As part of audit work in 2016/17 we identified that scenario planning has been incorporated as part of savings proposals presented to the Joint Board. This allows members to understand the impact future developments could have on resources in the absence of longer term budget information.

### Funding position

50. The Joint Board approved its 2017/18 budget in January 2017 with proposed total expenditure of £2.372 million. RVJB has decreased the requisitions from member authorities in 2017/18 by 2.5%, meaning that the requisition income for 2017/18 is £2.158 million.
51. Plans to address this gap include £0.096 million of other income and a transfer of £0.119 million from usable reserves.
52. RVJB is facing a number of challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing costs of services and possible reductions in requisition funding.

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.



## Savings plans

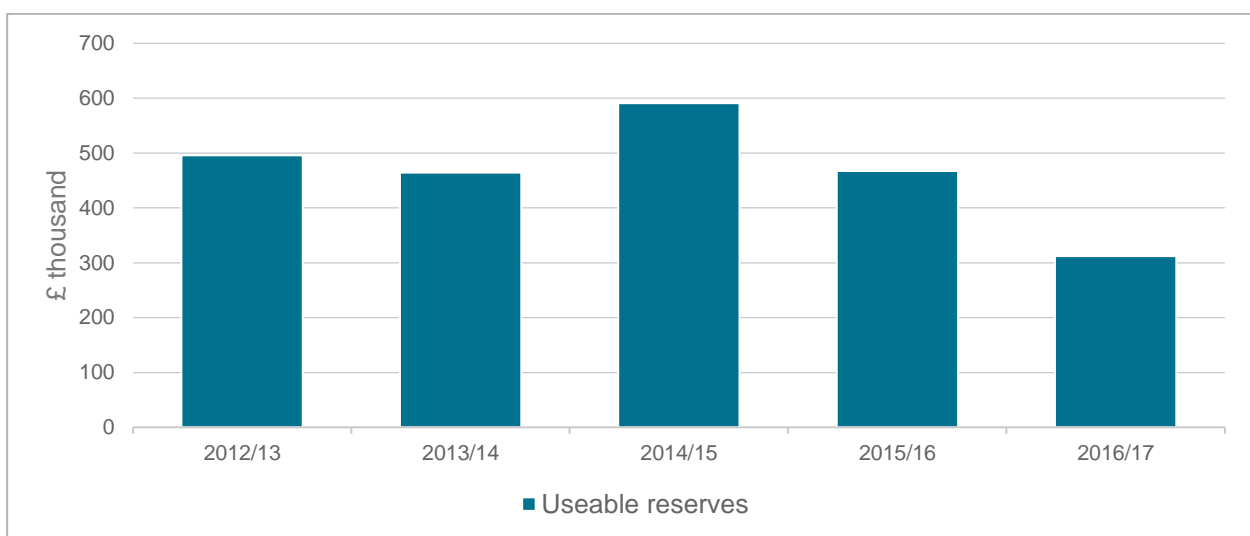
- 53.** A review of RVJB's budget information and financial projections for 2017/18 to 2019/20 highlight that the funding settlement for 2018/19 and beyond is uncertain. It is recognised that over the medium term the funding position of local government across Scotland is likely to involve a further period of contraction. The Joint Board anticipates that it will need to identify further recurrent savings from 2018/19. The Assessor will undertake a further review of the service provision in order to identify saving options.

## Reserves

- 54.** Like all joint boards, RVJB has no specific powers to retain reserves to meet future requirements and technically the amounts held are due to local authorities. These balances are used to support medium-term financial planning and address any unforeseen costs.
- 55.** In 2016/17 the overall level of useable reserves held by RVJB decreased by £0.155 million (33 per cent). The closing balance of £0.312 million is 13 per cent of 2016/17 budgeted expenditure. Officers have assessed this as being a prudent level to protect against unforeseen costs.
- 56.** [Exhibit 6 \(page 15\)](#) provides an analysis of useable reserves over the last five years. The usable reserves / balances due to member authorities' have reduced since 2014/15. Budget monitoring reports up to July 2017 forecast the level of usable reserves at the end of the 2017/18 financial year would be £0.193 million. This equates to 8 per cent of budgeted total expenditure in 2017/18 and is a significant decrease from 2016/17. The level of reserves is reviewed as part of the budget monitoring report which is reported at every board meeting. It is recommended that the balance held in reserves continues to be reviewed to ensure there are sufficient funds to address ongoing demand on services.

## Exhibit 6

### Analysis of useable reserves over last five years



Source: RVJB annual accounts and report 2012/13 – 2016/17

## Workforce planning

57. Audit Scotland's *Local government in Scotland – performance and challenges 2017* report highlighted the need to plan and manage reductions to workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.
58. The report advises local government bodies to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans.
59. As noted at paragraph 34 above the Joint Board's workforce (FTE) has fallen from 55 to 42 since 2007. The report highlighted that staff numbers are now at a minimum level and further reductions to achieve savings will impact on service delivery.

# Part 4

## Governance and transparency



### Main Judgements

**The Joint Board has appropriate governance arrangements in place to support the scrutiny of decision making. However, a number of policies and procedures require to be reviewed and updated.**

**The Joint Board is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.**

**Internal audit reports are only reviewed by management and are not shared with members of the Joint Board. There is a risk that members are not fully aware of weaknesses identified in systems and processes.**

### Governance arrangements

60. Members and management of RVJB are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements. We concluded that RVJB has effective governance arrangements which provide an appropriate framework for organisational decision-making.
61. Citizens should be able to hold RVJB to account about the services it provides. Transparency means that citizens have access to understandable, relevant and timely information about how RVJB is taking decisions and how it is using its resources. Overall we concluded that RVJB is open and transparent although there are some areas where practices could be improved.
62. As part of audit work we reviewed various governance policies and procedures (e.g. scheme of delegation, contract standing orders, etc.) and found a number of these had not been updated for a number of years. This raises the risk that policies and procedures are not adequate to ensure effective governance of RVJB's functions. In addition, there is a risk that members of the Joint Board and RVJB staff are not aware of the processes and procedures in place and this could result governance failures (e.g. fraud).

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.

Appendix 1, Action Plan, point 1

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

63. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires Joint Boards to prepare and publish, along with their financial statements, a management commentary, an annual governance statement and

a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

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

## Internal audit

- 65.** Internal audit provides senior management and elected members with independent assurance on RVJB's overall risk management, internal control and corporate governance processes.
- 66.** The internal audit function is carried out by Renfrewshire Council's internal audit team. We carried out a review of the adequacy of Renfrewshire Council's internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS). However, there were areas where we identified recommendations for improvement.
- 67.** To avoid duplication, we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, we did review audit reports that were relevant to our work to help with our understanding of the systems and processes in place, but these will not be used to support our opinion on the annual report and accounts.
- 68.** From a review of board minutes it was identified that internal audit reports are not provided to members of the Joint Board. During the year internal audit carried out work on the Records Management Plan and the findings were only shared with management. The only information members receive on the work of internal audit is in the Internal Audit Annual Report. As a result members were considering the opinions given in the Internal Audit Annual Report without being aware of the work that was used to form the conclusions.

## Appendix 1, Action Plan, point 2

## ICT risks

- 69.** The 2015/16 Annual Audit Report reported on RVJB's Public Services Network (PSN) arrangements. The report highlighted RVJB had achieved re-accreditation and the next step was to achieve a separate connection from Renfrewshire Council. This raised the risk of service disruption while the connection was being separated. This was discussed with officers as during the audit and it was identified that Renfrewshire Council was unable to separate the connection in place. As a result there will be no impact on the delivery of services or any disruption.

## Transparency

- 70.** Transparency means that the public, in particular local residents have access to understandable, relevant and timely information about how RVJB is taking decisions and how it is using resources such as money, people and assets.
- 71.** There is evidence from a number of sources which demonstrate RVJB's commitment to transparency. Members of the public can attend Joint Board meetings and minutes of the meetings and supporting papers are readily available through RVJB's website.

- 72.** The Joint Board's website allows the public to access a wide range of information on corporate policies, targets and performance.
- 73.** The Joint Board makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties facing the Joint Board.
- 74.** Overall, we concluded that the Joint Board conducts its business in an open and transparent manner.

## Equalities

- 75.** The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.
- 76.** We reviewed the current equalities report published in April 2017 and concluded the Joint Board has met its statutory duty to:
  - publish information on progress made in mainstreaming equality within the Joint Board
  - report on progress made towards achieving equality outcomes published in 2013
  - publish annual employee information and details of the progress made in gathering and using information to better meet the duty
  - publish updated gender pay gap information.
- 77.** We concluded, on the basis of evidence reviewed, that the Joint Board is proactive in ensuring that equality is mainstreamed.

# Part 5

## Value for money



### Main judgements

Performance management information is reported at each Joint Board meeting.

Performance has deteriorated since 2015 with the 2017 revaluation exercise highlighted as a contributing factor.

### Best Value

78. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. RVJB should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

### Following the public pound

79. Local government bodies have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.
80. The Joint Board's financial regulations state that it will continuously strive to secure best value for money and economy, efficiency and effectiveness in their use of resources.

### Performance management

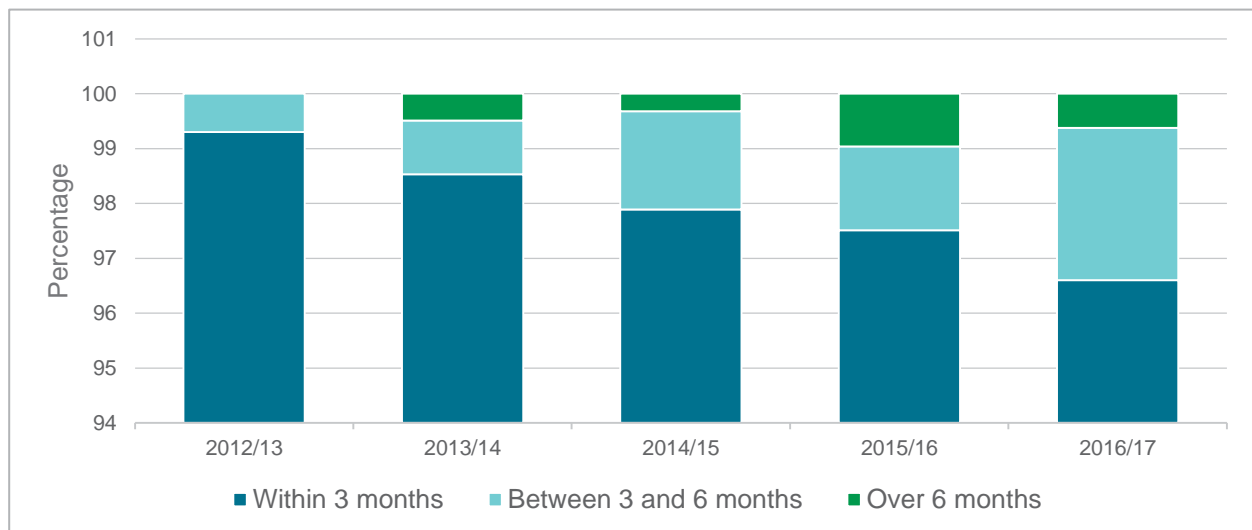
81. The 2015/16 Annual Audit Report noted that
- RVJB has been working on significant projects over a number of years, including individual electoral registration (IER). Access to IER funding ended on 31 December 2015 and the challenge is now to move the IER project into standard part of RVJB's work
  - a new service plan is being prepared and will be published later in the year.
82. IER has now been incorporated as business as usual. A total of £0.194 million funding was received from the Cabinet Office for IER in 2016/17. £0.135 million was utilised in year to match expenditure incurred as part of IER. The remaining £0.059 million was carried forward to utilise against expenditure incurred in 2017/18. While funding for IER was received in 2017/18, there is no certainty if or how much funding will be received in future years and therefore costs may need to be met through requisition income or reserves.
83. The new service plan was approved by the Joint Board in January 2017. We reviewed this as part of our audit work and concluded that the plan was clear and would allow RVJB to carry out its functions effectively.

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

- 84.** One of key tasks RVJB has been involved in during 2016/17 is in the preparation of the 2017 Non Domestic Rating Revaluation which came into effect on the 1 April 2017. Valuations were carried out on more than 10,350 non domestic properties as part of the exercise and all were completed in advance of the go live date.
- 85.** RVJB maintains an up to date valuation list by adding new houses and the deletion of demolished houses. [Exhibit 7 \(page 21\)](#) shows RVJB performance over the last five years. Performance has deteriorated over the last 5 years with a lower proportion of properties added within 3 months and the target for properties added within 6 months not being met. In 2016/17 the target of adding 95 per cent of properties within 3 months was achieved but the target of adding 99.5 per cent within 6 months was not achieved. We have been advised that the decline in performance over the last 2 years has been due to the additional workload from the revaluation exercise

## Exhibit 7

### Analysis of performance in adding new properties to Valuation List over last five years



Source: RVJB performance report from April 2016 to March 2017

- 86.** Performance reports are provided to members at each meeting. These reports are detailed and provide performance details on RVJB's functions.

## National performance audit reports

- 87.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Joint Board. These are outlined in [Appendix 3 \(page 26\)](#).
- 88.** The Divisional Assessor attends the Scottish Assessors Association Governance Committee where reports of interest (including relevant Audit Scotland reports) are discussed and information disseminated. Any key risks are then shared with the Joint Board.








# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

			
Page no.	Issue/risk	Recommendation	Agreed management action/responsible officer/timing
17 – para 62	<p><b>1. Governance policies and procedures</b></p> <p>A review of governance policies and procedures was carried out and a number of policies require to be updated. These include the:</p> <ul style="list-style-type: none"> <li>• scheme of delegation</li> <li>• contract standing orders</li> <li>• financial regulations and financial codes</li> <li>• employee code of conduct.</li> </ul> <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>It is recommended that these policies and procedures are reviewed and updated to reflect the current situation of RVJB.</p>	<p><b>Scheme of delegation:</b></p> <p>This will be raised at the next Governance Group meeting and amended as appropriate.</p> <p>Assessor and ERO</p> <p>31 March 2018</p> <p><b>Contract standing orders:</b></p> <p>Renfrewshire Council will liaise with RVJB regarding reviewing and updating the contract standing orders.</p> <p>Head of Corporate Governance</p> <p>31 March 2018</p> <p><b>Financial regulations and financial codes:</b></p> <p>This will be reviewed and updated as appropriate.</p> <p>Chief Auditor</p> <p>Date: 31 March 2018</p> <p><b>Employee code of conduct:</b></p> <p>Renfrewshire Council are reviewing the employee code of conduct. Once this has been finalised this can be forwarded to RVJB.</p> <p>Head of HR and OD</p> <p>31 March 2018</p>



**Page  
no.**

**Issue/risk**

**Recommendation**

**Agreed management  
action/responsible  
officer/timing**

**18 – para  
68**

**2. Internal Audit reporting**

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.

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.

Internal audit reports will now be taken to meetings of the Joint Board.

Assessor and ERO

31 March 2018

# Appendix 2

## Significant audit risks identified during planning

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





















Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Management override of controls</b>  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 the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries.  Review of significant management estimates and evaluation of the impact of any variability in key assumptions.  Focused testing of accruals and prepayments.  Evaluation of significant transactions that are outside the normal course of business.  Substantive testing of transactions after the year end to confirm expenditure and income has been accounted for in the correct financial year.	Our audit procedures did not uncover evidence of management override of controls.  An error was identified as part of cut-off testing which has been amended in the financial statements.
<b>2 Risk of fraud over income</b>  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.	Analytical procedures on income streams.  Detailed testing of revenue transactions focusing on the areas of greatest risk.	Our audit procedures did not uncover any evidence of fraud over income.
<b>3 Revised format of financial statements</b>  The 2016/17 Code of Practice on Local Authority Accounting (the Code) makes changes to the structure of the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS). This will require the restatement of prior year comparatives and presents a risk of misstatement in the financial statements.	Review of structure of CIES and MIRS.  Detailed analysis of account code mapping for CIES.  Review of prior year comparatives and restatements.	Our audit procedures did not identify any errors in the structure of the CIES or MIRS and all account codes had been mapped across correctly.

Audit risk	Assurance procedure	Results and conclusions
<p><b>4 New expenditure and funding analysis</b></p> <p>The Code sets out a new requirement for an expenditure and funding analysis. This will provide a reconciliation of the statutory adjustments between RVJB's financial performance on a funding basis and the surplus or deficit on the provision of services in the CIES. This presents an increased risk of misstatement as the analysis may not be in line with the requirements of the Code. There is also an increased risk of inconsistencies between the analysis and the financial statements.</p>	<p>Detailed testing of expenditure and funding analysis.</p> <p>Review of prior year comparatives and restatements.</p> <p>Review of consistency between expenditure and funding analysis and information contained elsewhere within the annual accounts.</p>	<p>Our audit procedures did not identify any errors within the Expenditure Funding Analysis statement and all information was consistent with information contained elsewhere within the annual accounts.</p>
<p><b>5 Changes to governance disclosures</b></p> <p>The Code makes changes to the requirements of the governance statement. This will require additional information to be disclosed to ensure all requirements of the Code are met. This presents a risk that the governance disclosures may not be complete.</p>	<p>Review of governance statement content.</p> <p>Testing of governance disclosures.</p>	<p>Our audit procedures did not identify any errors with the governance statement and all disclosures required had been included.</p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>6 Financial sustainability</b></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 higher than planned reserves were used in 2016/17. Further use of reserves is also expected in 2017/18. As a result savings will need to be made to ensure services are delivered within budget and to ensure an adequate level of reserves is maintained.</p>

# Appendix 3

## Summary of national performance reports 2016/17



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

### Local government relevant reports

[\*The National Fraud Initiative in Scotland - June 2016\*](#)

[\*How councils work - Roles and working relationships in councils - November 2016\*](#)

[\*Local government in Scotland: Financial overview 2015/16 - November 2017\*](#)

[\*Local government in Scotland: Performance and challenges 2017 - March 2017\*](#)

# Renfrewshire Valuation Joint Board

## 2016/17 Annual Audit Report

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