Grampian Valaution Joint Board

DRAFT 2019/20 Annual Audit Report

AUDIT SCOTLAND

Prepared for Grampian Valuation Joint Board and the Controller of Audit

21 August 2020

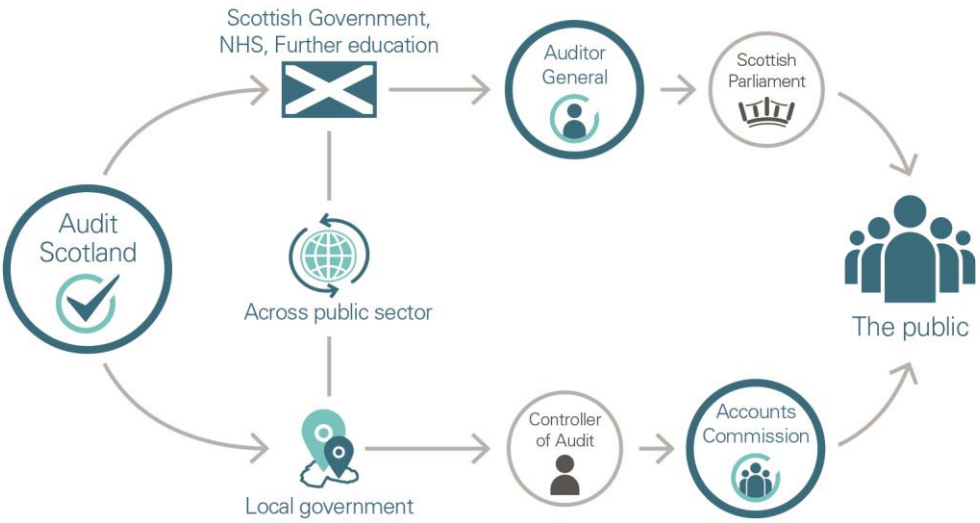
Who we are

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 and making clear and relevant recommendations.

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1 The Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2019/20.

2 The management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and were properly prepared in accordance with the applicable requirements.

3 An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the impact of Covid-19 on property valuations. The audit opinion is not modified in respect of this matter.

Financial sustainability and annual governance statement disclosures

4 The Joint Board underspent its 2019/20 budget by £0.215 million. The majority of this (£0.116 million) was returned to constituent authorities with £0.099 million added to reserves.

5 Reserves have been used to balance the 2020/21 budget in order to reduce constituent authorities' requisitions.

6 The Joint Board has made good progress in developing its approach to medium-term financial planning. We would encourage it to continue to work towards development of a long-term financial strategy.

7 Annual governance statement disclosures are appropriate.

Introduction

1. This report summarises the findings from our 2019/20 audit of Grampian Valuation Joint Board (the Joint Board).

2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2020 meeting of the Joint Board. This report comprises the findings from:

- our audit of the Joint Board's annual accounts
- consideration of the Joint Board's financial sustainability and the appropriateness of the disclosures in the annual governance statement.

3. In common with all organisations, the Joint Board has had to respond to the global coronavirus (Covid-19) pandemic. This affected the final month of the 2019/20 financial year and will continue to have a significant impact in 2020/21.

4. As we undertook out audit planning work prior to the pandemic, we reviewed our assessment of audit risks and the planned audit work in June 2020 and concluded that they remained relevant.

Adding value through the audit

5. We add value to the Joint Board through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides
- providing clear conclusions on the appropriateness of the disclosures in the annual governance statements and financial sustainability.

6. In so doing, we aim to help the Joint Board promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

7. The Joint Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Joint Board is also responsible for compliance with legislation, putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives, and that demonstrate Best Value in how it conducts its activities.

8. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government in Scotland Act 1973, the Code of Audit Practice (2016) and supplementary guidance and International Standards on Auditing in the UK.

9. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016* and supplementary guidance.

10. The Code of Audit Practice 2016 (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code of Audit Practice to the 2019/20 audit

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

12. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor general must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

14. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services. The 2019/20 audit fee of £7,450 set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

15. 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 in due course.

16. We would like to thank the management and staff for their cooperation and assistance during the audit, particularly given the current challenges presented by the impact of Covid-19.

Part 1

Audit of 2019/20 Annual Accounts

Main judgements

The Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2019/20.

The management commentary, annual governance statement and the audited part of the remuneration report, were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

An 'Emphasis of Matter' paragraph is included in the independent auditor's report to draw attention to the impact of Covid-19 on property valuations. The audit opinion is not modified in respect of this matter.

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

Our audit opinions on the annual accounts are unmodified

17. The annual accounts for the year ended 31 March 2020 were approved by the Joint Board on 21 August 2020 (TBC). We reported, within the independent auditor's report, that:

- the financial statements give a true and fair view and were properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2019/20 (the Code)
- the management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

18. We have included an 'Emphasis of Matter' paragraph in our independent auditor's report which refers to the impact of Covid-19 on property valuations. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw users' attention to matters which are fundamental to the understanding of the accounts. Note 4 (Assumptions made about the future and other sources of estimation uncertainty) in the annual accounts describes the uncertainty caused. The opinion is not modified in respect of this matter. Further information is contained in Exhibit 2 below.

The annual accounts were signed off within the original timescales

19. The unaudited annual accounts were received, on 29 May 2020, in line with our agreed audit timetable. Both Joint Board and Audit Scotland staff worked from home for the duration of the audit due to the Covid-19 pandemic and this presented challenges for both the finance and audit teams. As a result, the audit took longer than normal to complete.

20. The unaudited annual accounts and supporting working papers were of a good standard and the audit team received good support from the finance team. Remote working meant that some elements of the accounts and some supporting working papers were not provided at the start of the audit.

21. Regular communication and good working relationships between the finance and audit teams helped ensure the audit ran relatively smoothly and, despite the challenges of lockdown, we were able to complete the audit on 21 August 2020 (TBC) as set out in our annual audit plan.

Overall materiality is £0.1 million

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

23. On receipt of the unaudited annual accounts we reviewed our materiality calculations and updated them as set out in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£0.1 million
Performance materiality	£0.07 million
Reporting threshold	£0.005 million

Source: Audit Scotland

Our work to address the main risks of material misstatement is set out in Appendix 2 with key findings reported in Exhibit 2

24. Appendix 2 provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the audit team was directed. The Appendix summarises the work we have done to address these risks and our conclusions from this work.

25. We undertook our planning work and issued our 2019/20 annual audit plan prior to the Covid-19 pandemic. In line with auditing standards and professional advice, including the Financial Reporting Council's Covid-19 bulletin published in March 2020, we reviewed our assessment of audit risks and the planned audit work in June 2020 and concluded that they remained relevant. There have not been any changes to the audit risks, our audit approach or the timing of our audit.

26. Matters arising from our work on the risks of material misstatement include risks relating to management judgement and estimation and are discussed further in Exhibit 2 below.

Significant findings from the audit of the financial statements

27. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the Joint Board's accounting practices. The significant findings are summarised in Exhibit 2.

Exhibit 2
Significant findings from the audit of the financial statements

Finding	Resolution
1. Impact of Covid-19 on the valuation of property (land and buildings) The Joint Board's land and buildings portfolio (£0.668 million) is valued in full every five years with impairment reviews undertaken in each of the intervening years. The valuations are provided by Moray Council's in-house valuer. As part of his impairment review the valuer noted a 'material valuation uncertainty' clause regarding the impact of Covid-19 on the valuation of land and buildings, and pointed out that a higher degree of caution should be attached to the valuations contained in the annual accounts than would normally be the case. Note 4 (Assumptions made about the future and other sources of material uncertainty) to the accounts notes there is significant uncertainty in the property markets and that there is potential for the Joint Board's property asset values to change significantly.	We added an Emphasis of Matter paragraph to the independent auditor's report because we believe the disclosure is fundamental to users' understanding of the accounts. The audit opinion is not modified in respect of this matter. We have sought and received the Treasurer's assurances on management's assessment of the fair value of land and buildings in the ISA580 representation letter.
2. Revised IAS 19 disclosures Finance staff received a revised IAS 19 report from the pension scheme's actuary after the annual accounts were submitted for audit. The actuary revised the report to reflect changes to the expected costs resulting from the McCloud judgement and to update the valuation of investments. The impact of this late adjustment was to reduce pension liabilities and the pension reserve by £0.177 million in the audited accounts.	The audited accounts have been amended to reflect this late adjustment.
3. Holiday and flexi pay accrual The holiday and flexi pay accrual included in the unaudited accounts had not been calculated in line with the requirements of the Code. As a result, the net cost of services and short-term creditors were overstated by £0.022 million.	The audited accounts have been amended to correct this misstatement.
4. Remuneration Report disclosures Remuneration disclosures for two senior employees were overstated in the unaudited accounts due to an error in the working paper used to compile the disclosures.	The audited accounts have been amended to correct this misstatement.

Source: Audit Scotland

The financial statements were amended to reflect all of our audit findings decreasing net liabilities by £0.199 million

28. Presentational and monetary adjustments to the accounts identified during the audit process were discussed with management who agreed to amend the financial statements. The net effect of the adjustments identified during the audit process was to decrease net liabilities by £0.199 million.

29. There was one material adjustment to the unaudited financial statements resulting from late receipt of a revised IAS 19 report from the actuary (see Exhibit 2, no. 2 above). We considered whether further audit procedures were necessary and concluded that additional procedures were not required.

30. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. There are no unadjusted misstatements in excess of our reporting thresholds to report to those charged with governance.

The management commentary could be further improved

31. In addition to the opinion on the management commentary noted at paragraph 17 above, we also consider the qualitative aspects of the management commentary. The purpose of a management commentary is to provide information on a body, its main objectives and the principal risks it faces. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

32. Our review of the management commentary submitted for audit concluded that there was scope to provide a more balanced picture of performance in 2019/20. We discussed this with management who agreed to update the narrative. The revised narrative provides a more complete picture of the Joint Board's performance and we have concluded that the audited management commentary meets the requirements of the Code.

33. In our view, there is scope to further improve the management commentary and we would recommend that the Joint Board review its management commentary against Audit Scotland's 'Good Practice Note on Management Commentaries: Enhancing the quality of local government annual accounts' as part of its preparation of the 2020/21 annual accounts.

Recommendation 1

The Joint Board should review the content and presentation of its management commentary against Audit Scotland's good practice guide.

Good progress was made on prior year recommendations

34. The Joint Board has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in Appendix 1.

Part 2

Financial sustainability and annual governance statement disclosures

Main judgements

The Joint Board underspent its 2019/20 budget by £0.215 million. The majority of this (£0.116 million) will be returned to constituent authorities with £0.099 million added to reserves.

Reserves have been used to balance the 2020/21 budget in order to reduce constituent authorities' requisitions.

The Joint Board has made good progress in developing its approach to medium-term financial planning. We would encourage it to continue to work towards development of a long-term financial strategy.

Annual governance statement disclosures are appropriate.

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.

The 2019/20 budget was underspent by £0.215 million

35. The Joint Board's net operating expenditure in 2019/20 was £4.248 million compared to budgeted net expenditure of £4.463 million, an underspend of £0.215 million. The majority of this underspend relates to vacant posts (£0.166 million). Exhibit 3 summarises performance against budget in 2019/20.

Exhibit 3
Performance against budget 2019/20

	Budget £'000	Actual £'000	Variance £'000
Employee benefit expenses	3,461	3,292	(169)
Other service expenses	1,090	1,070	(20)
Support service recharges	57	57	-
Requisitions	(4,463)	(4,463)	-
Government grants and other service income	(143)	(166)	(23)
Interest and investment income	(2)	(5)	(3)
Net (Under)/overspend against budget	-	(215)	(215)

Source: GVJB Annual Accounts 2019/20

36. The net operating expenditure (£4.248 million) differs from the net cost of services disclosed in the comprehensive income and expenditure statement of £4.786 million by £0.538 million. This is because reports prepared for the Joint Board's monitoring purposes are prepared on a different basis from the accounting policies used to prepare the financial statements.

37. Note 7 to the accounts reconciles the figures in the budget outturn report to the figures in the comprehensive income and expenditure statement (note: £5,000 of interest income is included in the Other Income and Expenditure line in Note 7 but offset against net expenditure in the budget monitoring reports). Note 7 shows that the majority of the difference is due to the cost of retirement benefits which are based on cash flows in the budget monitoring reports, but on the current service costs of benefits accrued in the year within the accounts.

38. The Joint Board's balance sheet as at 31 March 2020 was in a net liability position due to the requirements of IAS19 (Retirement Benefits). This liability will be made good by increased contributions over the remaining working lives of the employees, as assessed by the scheme's actuary.

Reserves increased by £0.099 million with £0.116 million to be returned to constituent authorities

39. The Joint Board maintains a General Fund balance to support medium-term financial planning and to address any unforeseen costs. In the absence of a more specific regulation for Valuation Joint Boards in respect of the carry forward limits on the General Fund, members agreed that a maximum of 3% of the total budget should be added to the general fund in any one year as long as the cumulative balance does not exceed 5% of the total budget in that year.

40. In February 2020, the Joint Board agreed to earmark the underspend (£0.091 million) on the budget for Non-Domestic Rates reform as an additional part of the General Fund. This underspend resulted from difficulties in recruiting additional staff and slippage on IT projects due to existing staff focusing on the unscheduled elections in May and December 2019. After transferring the maximum permitted (£0.008 million) to its uncommitted General Fund balance, the remainder of the underspend (£0.116 million) will be returned to constituent authorities.

Reserves have been used to balance the 2020/21 budget in order to reduce constituent authorities' requisitions

41. The 2020/21 budget paper, presented to the Joint Board at its February 2020 meeting, proposed an increase of £0.370 million (8.3%) compared to the 2019/20 budget. The majority (£0.265 million) of this increase related to additional costs associated with NDR reform which are funded by the Scottish Government through the local government settlement to constituent authorities. 2020/21 is also the first year that the Joint Board will have to fund the full costs of Individual Electoral Registration which have previously been funded through a separate government grant (£0.152 million received in 2019/20).

42. A number of members raised concerns about the level of increase in requisitions and, following lengthy discussion, the Joint Board agreed to defer the decision on the budget to allow discussions to take place with the Assessor and Treasurer; and to hold a special meeting before 31 March 2020 to agree a budget for 2020/21.

43. Due to Covid-19 restrictions, Standing Orders were suspended to allow the special meeting to be held via email on 20 March 2020. At this meeting, the 2020/21 budget was agreed at the previously proposed level (£4.833 million) with £0.130 million being funded by reserves and the remainder (£4.703 million) by constituent authorities.

44. This is the first year that the General Fund balance has been used to balance the Joint Board's budget and as a result, the uncommitted General Fund balance is expected to reduce to £0.093 million (1.9% of 2020/21 net budget) at 31 March 2021 (£0.223 million as at 31 March 2020).

45. The latest budget monitoring report, as at 31 May 2020, shows an underspend against the budget to date of £0.144 million. A detailed estimated outturn statement will be reported to the Joint Board meeting in November 2020.

A three-year financial plan has been developed and approved by the Joint Board

46. In previous years we have highlighted the importance of medium to longer-term financial planning and recommended that the Joint Board develops a medium to long-term financial strategy supported by clear and detailed financial plans.

47. In November 2019, the Treasurer presented a three-year financial plan to the Joint Board which set out three scenarios (optimistic, worst case and mid-point) for budget areas (salaries and recruitment, income and the impact of an unplanned election or referendum) where the financial implication is not certain.

48. The recommended scenarios were built into an indicative budget for the three years to 31 March 2023 which was included in an Appendix to the November report. This formed the basis of the three-year budget considered by the Joint Board in February 2020 and approved in March 2020.

49. The approved budget sets out the financial challenges facing the Joint Board: no provision has been made for the costs of repairs and maintenance required to the Joint Board's premises, and employee costs are projected to rise to £4.1 million in 2022/23 by which time they will account for 79% of the Joint Board's net expenditure. These challenges are likely to put pressure on the General Fund balance which has already been reduced to balance the 2020/21 budget.

50. There are currently no plans to develop a longer-term financial strategy. Work has begun to update the three-year financial plan to reflect the changes and uncertainties caused by the Covid-19 pandemic. An updated three-year financial plan will be submitted to the November 2020 meeting and this will form the basis of the budget paper presented to the Joint Board in February 2021. The Assessor has committed to continue to identify additional efficiencies and savings as part of this process.

51. We have concluded that the Joint Board has made good progress in developing its approach to medium-term financial planning and recognise the need to focus on the immediate and medium-term impact of the current pandemic. We would, however, stress the importance of longer-term financial planning to the achievement of financial sustainability and encourage the Joint Board to continue to work towards development of a long-term financial strategy.

Annual governance statement disclosures are appropriate

52. Our review of the Annual Governance Statement within the annual accounts assessed the assurances which are provided to the Treasurer regarding the adequacy and effectiveness of the Joint Board's system of internal control which operated in the financial year. As in previous years, the Treasurer has placed reliance on the Internal Audit Manager's opinion that 'reasonable assurance can be placed on the adequacy and effectiveness of the system of internal financial control established within the Assessor's Service.'

53. The Annual Governance Statement sets out the key challenges facing the Joint Board in 2020/21. These include upgrading operational capacity in terms of workforce, processes and IT systems, improving and streamlining governance arrangements, and making optimal use of the new electoral registration system.

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

Covid-19 has affected the Joint Board's governance arrangements

55. The Joint Board has amended its governance arrangements as a result of the Covid-19 pandemic. A crisis management team has been established which meets daily and, at the start of the lockdown, employees were provided with equipment from the offices to allow them to work from home. As lockdown continued staff were permitted to purchase additional equipment, such as full-size monitors, to improve their home working environment. Other changes made in response to the pandemic include:

- Joint Board meetings have been held virtually with no changes to the original dates
- site inspections and visits to households for registration and canvass purposes have been suspended in line with Scottish Government guidance
- Valuation Appeals Committees were suspended with appeal hearings due to resume in Autumn 2020.

56. We have concluded that the Joint Board has been proactive in dealing with the changed operating environment and, as a result, the Joint Board has continued to operate during the lockdown period. Management are currently working with a consultant to develop a longer-term approach to remote working. We will assess the new arrangements as part of our 2020/21 audit. The scale and pace of change as a result of Covid-19 poses a risk that key financial controls will not operate as intended. Arrangements need to be put in place to ensure that these remain effective.

Recommendation 2

The Joint Board should ensure that controls remain effective during this period of uncertainty and as new ways of working are developed and adopted.

National performance audit reports

57. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Although there were no reports published in 2019/20 which were of direct interest to the Joint Board, there were others with some wider relevance. These are included in Appendix 3.

Appendix 1

Action plan 2019/20

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Management commentary** The management commentary included in the unaudited annual accounts required amendment before we could conclude that it met the requirements of the Code. **Risk:** there is a risk that the Joint Board fails to communicate effectively with its stakeholders.	The Joint Board should review the content and presentation of its 2020/21 management commentary against Audit Scotland's good practice guide. Recommendation 1, paragraphs 31 to 33	The management commentary for 2020/21 will reflect the latest good practice guidance. **Responsible officer:** Assessor & ERO **Agreed date:** 30 June 2020
2	**Internal control arrangements** The scale and pace of change as a result of Covid-19 poses a risk to the Joint Board's governance arrangements. **Risk:** there is a risk that key financial controls do not operate as intended due to new ways of working.	The Joint Board should ensure that internal controls remain effective during this period of uncertainty and as new ways of working are developed and adopted. Recommendation 2, paragraph 56.	The organisation will review business processes to ensure that appropriate adjustments are made to reflect the new working environment. **Responsible officers:** Treasurer and Assessor & ERO **Agreed date:** 1 January 2021
Follow up of prior year recommendations			
3	**Medium to long term financial planning** The Joint Board's budgets are prepared and approved on an annual basis and include an indicative budget for the following year. Since 2016/17 we have recommended that the Joint Board prepare a long-term financial strategy supported by clear and detailed financial plans. Limited progress has been made with this to date. **Risk:** the Joint Board is unable to deliver all of its commitments or meet performance targets within its existing resources.	The Joint board should continue to develop its long-term financial strategy supported by clear and detailed financial plans (3 years +). Plans should set out scenario plans (best, worst, most likely) with a clear assessment of the impact of the budget assumptions on activity and any residual risks.	This action was delayed while we awaited information on the impact of the Barclay review and the associated funding. A more achievable three-year financial strategy will be complied. The first stage of this will be reported to the Board in the autumn. **Responsible officer:** Assessor & ERO and Treasurer **Agreed date:** To commence September 2019

No.	Issue/risk	Recommendation	Agreed management action/timing
			2019/20 Update The Joint Board has made good progress in developing its approach to medium-term financial planning and we recognise the need to focus on the immediate and medium-term impact of the current pandemic (paragraphs 46 to 51). **Completed**
4	**Related party returns and registers of interest** Of the 15 related party returns issued to members, only 8 responses (53%) were received. Senior officers are not asked to complete a related party return. Review of Joint Board member's registers of interest noted that only 3 showed evidence of update within the previous 6 months. The Joint Board's senior officers have not competed a register of interests' disclosure. Risk Related party transactions are not all detected and disclosed within the annual account	The Joint Board should review its procedures for identifying related parties within the annual accounts. These should cover both members and senior officers. In addition, members should be reminded of the importance of keeping their registers of interest up to date and senior officers should be asked to complete a register of interests return.	**2018/19 Update** In June 2019, the Joint Board agreed that all staff should complete registers of interest. Members have been reminded of the importance of completing related party returns. Return rates from members improved to 73% in 2018/19. **Revised action** All staff will be asked to complete registers of interest by 31 August 2019. Members will again be reminded of their responsibilities regarding related party returns as part of a training session to be given by the Treasurer in August 2019. **Responsible officer:** Assessor & ERO and Treasurer **Revised date:** August 2019 **2019/20 Update** Return rates from members improved to 87% in 2019/20. The Assessor and Deputes completed the register of interest in June 2020. The register of interests has not yet been rolled out to remaining staff. **Revised action/date** Roll out to all staff by 1 November 2020

No.	Issue/risk	Recommendation	Agreed management action/timing
5	**Governance documents** The following policies require to be reviewed to ensure that they are up to date and reflect the latest guidance: • Code of Corporate Governance (last reviewed 2006) • Code of Conduct (last reviewed 2008) • Anti-Fraud and Corruption Policy (last reviewed 2009) • Confidential Reporting (Whistleblowing) Policy (last reviewed 2008) • Contingencies Plan (last reviewed 2010). In addition, a scheme of delegation has not been prepared for the Joint Board	Governance documents should be reviewed regularly to ensure that they are up to date and reflect best practice	This recommendation was first made in our 2016/17 Annual audit report. The 2017/18 update has been omitted due to space constraints. **2018/19 update:** Contingencies Plan was reviewed in November 2018 Code of Conduct was approved by the Board in February 2019 Anti-fraud and corruption policy was reviewed during 2018 and will be considered by the Board at the August2019 meeting. Confidential Reporting Policy is scheduled for review in November 2019. IT policies are scheduled for review in 2020. **2019/20 Update**: A revised timetable for review of key governance documents was presented to the Joint Board meeting in February 2020. All reviews scheduled to take place in 2019/20 have been completed. We will continue to monitor progress with the planned reviews but have concluded that this action point is **Completed.**

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the financial statements and those relating to our wider responsibility under the *Code of Audit Practice 2016.*

	Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements			
1	**Management override of controls** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	**Results:** Our audit work did not identify any issues that would indicate management override of controls affecting the year-end position. **Conclusion:** Satisfactory
2	**Estimates and judgements** There is a significant degree of subjectivity in the measurement and valuation of the pension liability and non-current asset values included in the annual accounts. This subjectivity represents an increased risk of misstatement in the accounts.	Assessment of the scope, independence and competence of the professionals engaged in providing estimates, and the appropriateness of the actuarial assumptions. Focused testing of IAS19 disclosures and non-current asset valuations.	**Results:** Our audit work did not identify any issues with the scope, independence or competence of the expert valuers or actuary. We considered the work undertaken by management, the actuary and valuer in light of the Covid-19 pandemic and considered the impact on the year-end valuations. Refer to Exhibit 1, point 1. **Conclusion:** Satisfactory
Risks identified from the auditor's wider responsibility under the Code of Audit Practice			
3	**Financial sustainability** To date the Joint Board’s budgets have been prepared and approved on an annual basis with indicative budgets provided for the following year. The need to forecast and plan for the medium to longer term is becoming increasingly critical due to increased workloads resulting from the Barclay review of non-domestic rates,	Review the three-year financial plan and the 202/21 budget setting papers. Comment on financial sustainability within our annual audit report.	**Results:** A three-year financial plan was presented to the Joint Board in November 2019. This set out a number of scenarios and formed the basis of the three-year budget approved in March 2020. **Conclusion:** Satisfactory

	unplanned electoral events and reduced government funding for Individual Electoral Registration (IER). Without medium to longer term financial planning, there is a risk that the Joint Board is not fully prepared for potential changes in its funding levels and that opportunities and risks may not be fully realised or mitigated.		
4	**Governance documents** In previous years we have highlighted that a number of key governance documents are overdue for review and update. In response, the Assessor developed a timetable for the review of these policies. Progress against this timetable has been slower than expected and a revised timetable is being developed. Without regular review and update, there is a risk that the Joint Board's policies and procedures do not reflect current regulations and/or best practice.	Obtain a revised timetable and monitor progress against this. Comment on governance arrangements within our annual audit report.	**Results:** A revised timetable for review of key governance documents was presented to the Joint Board meeting in February 2020. All reviews scheduled to take place in 2019/20 have been completed. **Conclusion:** Satisfactory
5	**Introduction of IFRS 16 Leases** The Government Financial Reporting Manual (FReM) requires IFRS 16 Leases, as adapted and interpreted by the FReM, to be applied to public sector bodies with effect from 1 April 2020. Early work is required to assess the practical implications and ensure arrangements are in place to support adoption of this IFRS.	Ongoing engagement to assess preparations for the implementation of IFRS16 Leases. Comment on preparations for the implementation of IFRS16 within our annual audit report.	**Results:** The Financial Reporting Advisory Board (FRAB) agreed, in March 2020, to delay the implementation of IFRS16 to 1 April 2021 due to Covid-19. We will review the preparations made for implementation of IFRS 16 as part of our 2020/21 audit. **Conclusion:** Satisfactory

Source: Audit Scotland

Appendix 3

Summary of national performance reports 2019/20

2019/20 Reports

	Month	
	Apr	
Social security: Implementing the devolved powers	**May**	
Scotland's colleges 2019	**Jun**	Enabling digital government
	Jul	
NHS workforce planning - part 2	**Aug**	
Finances of Scottish universities	**Sept**	
NHS in Scotland 2019	**Oct**	
	Nov	
Local government in Scotland: Financial overview 2018/19	**Dec**	
Scotland's City Region and Growth Deals	**Jan**	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb	
	Mar	Early learning and childcare: follow-up

Grampian Valuation Joint Board

DRAFT 2019/20 Annual Audit Report

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