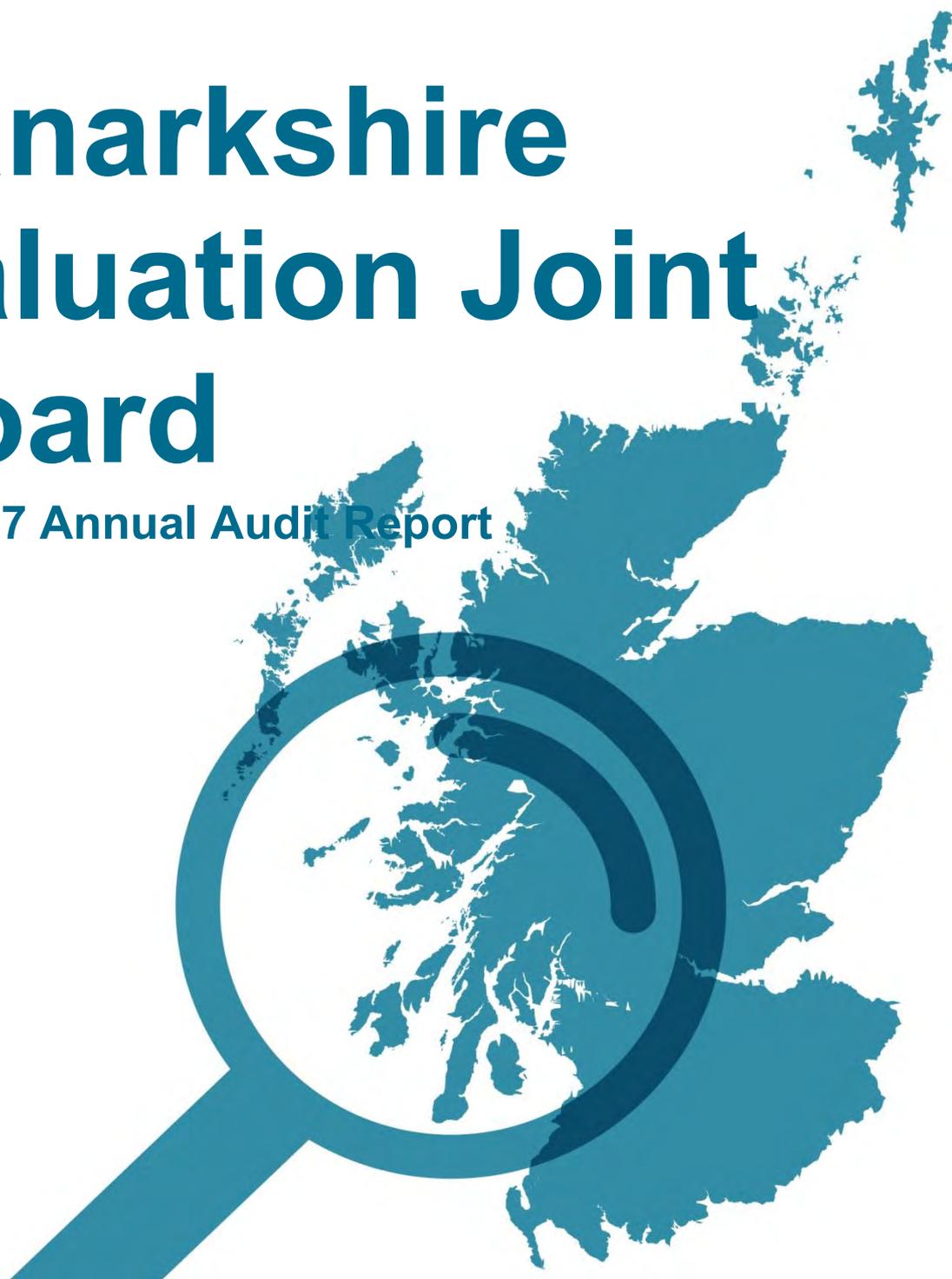


Lanarkshire Valuation Joint Board

2016/17 Annual Audit Report



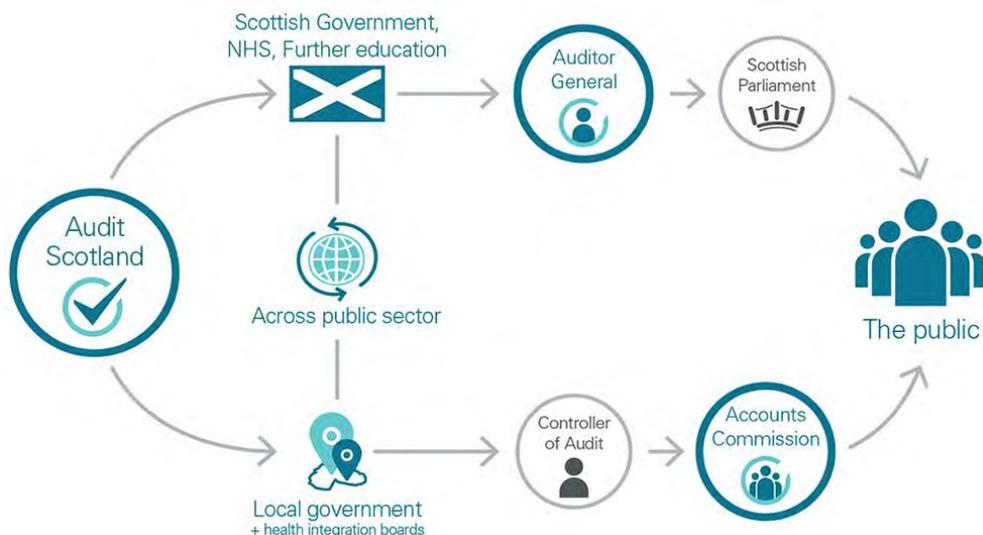
 AUDIT SCOTLAND

To Members of Lanarkshire Valuation Joint Board and the Controller of Audit
4 September 2017 (date of signing the accounts or formal issue of this report)

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

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

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

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2016/17 Annual Accounts	7
Part 2 Financial management	10
Part 3 Financial sustainability	11
Part 4 Governance and transparency	13
Part 5 Value for money	15
Appendix 1 Action plan 2016/17	17
Appendix 2 Significant audit risks identified during planning	20
Appendix 3 Summary of national performance reports 2016/17	22

Key messages

Audit of the 2016/17 Annual Accounts

- 1 The financial statements of Lanarkshire Valuation Joint Board for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.
- 2 We have issued an unqualified Independent Auditor's Report on the Lanarkshire Valuation Joint Board Annual Accounts for 2016/17.

Financial management

- 3 Containing expenditure within the budget envelope is a positive outcome.
- 4 There are areas of persistent underspending/overspending against individual budget lines which should be addressed.

Financial sustainability

- 5 The Joint Board's financial position is sustainable in the foreseeable future although sustained extra workload from individual electoral registration activities and increasing costs will continue to place a strain on capacity to deliver services at the current levels.
- 6 A number of key planning activities, including; medium to long term financial planning, workforce planning and reserves strategy need to be introduced.

Governance and transparency

- 7 The Joint Board has satisfactory governance arrangements in place.
- 8 The Joint Board could do more to be transparent in its business.

Value for money

- 9 In respect of time to add new houses to the council tax valuation list and making amendments to the valuation roll, the Joint Board is performing at the top of the performance range.

Introduction

1. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Joint Board.
2. This report sets out our findings from:
 - the audit of the Annual Accounts
 - our consideration of the wider dimensions of public sector audit, [Exhibit 1](#), as set out in Audit Scotland's [Code of Audit Practice](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 were:
 - an assessment of the Joint Board's arrangements for recording financial information and its governance arrangements
 - an audit of the Joint Board's 2016/17 Annual Accounts
 - a review of the Joint Board's arrangements to manage performance, regularity and use of resources.
4. The management of the Joint Board is responsible for, inter alia:
 - preparing financial statements which give a true and fair view
 - putting in place proper arrangements for the conduct of its affairs

- ensuring that the financial position is soundly based.

5. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

6. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made. It is the auditor's responsibility to express an opinion on the financial statements prepared by management; this does not relieve management of the responsibility for the preparation of the Annual Accounts.

7. An action plan is included at [Appendix 1 \(page 17\)](#) setting out our recommendations to address the issues and risks we identified from our audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Agreed management action/timing". We recognise that not all risks can be eliminated or even minimised. What is important is that the Joint Board understands its risks and has arrangements in place to manage them. The Joint Board should ensure that it is satisfied with proposed action and has an adequate mechanism in place to assess progress and monitor outcomes.

8. 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 remains unchanged.

9. 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.

10. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Part 1

Audit of 2016/17 Annual Accounts



Main judgements

The financial statements of Lanarkshire Valuation Joint Board for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.

We have issued an unqualified Independent Auditor's Report on the Lanarkshire Valuation Joint Board Annual Accounts for 2016/17.

Unqualified audit opinions

11. The Joint Board's Annual Accounts for the year ended 31 March 2017 was approved by the Joint Board on 4 September 2017.

12. We reported, in our Independent Auditor's Report:

- an unqualified opinion on the financial statements;
- an unqualified opinion on regularity of expenditure and income; and
- an unqualified audit opinion on the auditable part of the remuneration report, management commentary and annual governance statement.

13. We also concluded that there were no matters upon which we are required to report to the Accounts Commission by exception.

Compliance with requirements of the Local Authority Accounts (Scotland) Regulations 2014

14. Local government bodies are required to advertise unaudited Annual Accounts in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Regulation 9 specifies that the Annual Accounts be published on the website of the authority by 17th June. The Annual Accounts were not published on the Joint Board's website by the specified date. The Joint Board was, therefore, in breach of the regulations.

[Action Plan \(Appendix 1, point 1\).](#)

Submission of the Joint Board's Annual Accounts for audit

15. We received the unaudited Annual Accounts on 30 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan.

16. The Annual Accounts should provide citizens and stakeholders with an accessible summary of the Joint Board's in-year activities and financial results. In our view the quality of the Annual Accounts submitted for audit could be improved. A number of changes and adjustments were required to the narrative parts to bring

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

the document into line with current guidance. Management were receptive to suggestions for improvement to the presentation of the Annual Accounts for 2016/17.

[Action Plan \(Appendix 1, point 2\).](#)

17. The working papers provided with the unaudited Annual Accounts were, generally, of a good standard and finance staff provided good support during the audit.

Risk of material misstatement

18. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and potential impact on the financial statements. We disclosed, in our Annual Audit Plan, the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix 2](#) sets out the significant audit risks identified and how we addressed each risk in arriving at our opinion on the financial statements.

Materiality

19. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality.	
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. We consider that an appropriate figure of interest to members would be £100,000.	

Audit Scotland

20. Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively in forming our opinions on the financial statements.

21. On receipt of the Annual Accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate. Our final materiality levels are summarised at [Exhibit 2](#).

Evaluation of misstatements

22. There were no misstatements which had an impact on the unaudited Annual Accounts.

Significant findings

23. International Standard on Auditing 260 requires us to communicate significant findings from the audit “to those charged with governance” There are no matters which we consider should be drawn to your attention, other than that set out at paragraph 16 above, prior to your consideration of the Annual Accounts for approval.

Pension liability

24. Lanarkshire Valuation Joint Board is a member of Strathclyde Pension Fund, one of the largest in the UK. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.

25. The net pension liability represents the difference between expected future payments to pensioners and the projected value of pension fund assets available to meet this cost. At 31 March 2017 the Board's estimated pension liability stood at £6.869 million compared to £3.506 million at 31 March 2016.

26. Historically, there has been considerable volatility year on year on the valuation of liabilities across the public sector. Small changes in actuarial assumptions can have a significant impact on the calculation of closing liabilities. The pension fund actuary has indicated that the variable which had the greatest impact on the calculation of the 31 March 2017 liability was the decrease in the discount rate applied to investments. The discount rate is the rate which is used to estimate future returns on pension fund investments. Thus the expectation of lower future returns on pension fund investments has increased the overall liability.

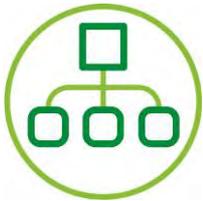
27. At the last reported triennial valuation (31st March 2014) the Strathclyde Pension Fund was 94.3% funded and had assets of £15.8 billion. The pension fund has a 12 year funding strategy in place to address the deficit.

Other findings

28. In addition to the issues set out above and in accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management.

Part 2

Financial management



Main judgements

Containing expenditure within the budget envelope is a positive outcome.

There are areas of persistent underspending/overspending against individual budget lines which should be addressed.

Financial performance in 2016/17

29. The Joint Board's budget for 2016/17 was set on the basis of gross expenditure of £4.035 million and income of £3.968 million, the deficit of £0.067 million to be funded from general reserves.

30. Actual expenditure (£4.127 million) exceeded income (£4.047 million) by £0.080 million resulting in a modest further draw on reserves of £0.013 million. Containing expenditure within the budget envelope is a positive outcome.

31. Notwithstanding the overall outturn, there are areas of persistent underspending/overspending against individual budget lines which require attention. Where necessary adjustments should be made to ensure that the annual budget is up to date and reflects the underlying cost of the service level required. Examples include, basic pay, overtime and canvassers' payments.

32. The Joint Board uses an incremental based budgeting method whereby the budget of the previous year is used as a base for the current year budget. While this method can work well for a small organisation like the Joint Board, changes over a number of years can lead to structural divergence between budget and actual outturn. The Treasurer should consider periodically zero basing the budget.

[Action Plan \(Appendix 1, point 3\).](#)

33. Each year the Joint Board undertakes work in relation to individual electoral registration (IER). At the start of the financial year it was not clear how much additional central funding from the Cabinet Office would be made available to complete this work. During the year funding central funding of £0.262 million was provided with a further unanticipated late (March 2017) allocation of funding from the Cabinet Office of £0.092 million.

Conclusion

34. Containing expenditure within the budget envelope is a positive outcome, however, there are areas of persistent underspending/overspending against individual budget lines which should be addressed.

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

Part 3

Financial sustainability



Main judgements

The Joint Board's financial position is sustainable in the foreseeable future although the burden of extra workload from individual electoral registration activities and increasing costs will continue to place a strain on capacity to deliver services the current levels.

A number of key planning activities, including; medium to long term financial planning, workforce planning and reserves strategy need to be introduced.

Financial sustainability

35. Financial sustainability is concerned with whether the Joint Board has the capacity to meet the current and future needs of its stakeholders. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

36. In assessing financial sustainability we are concerned with whether:

- spending is being balanced with income in the short term
- long term financial pressures are understood and planned for
- investment in services and assets is effective
- there is an adequate level of reserves.

Medium/long term financial planning

37. The current budget process does not include medium to long term financial planning. Management should prepare a 3-5 year rolling budget using what information is available and incorporating sensitivity analysis and scenario planning. In the absence of medium to long term financial planning, the future financial risks facing the Joint Board may not be clearly understood.

[Action Plan \(Appendix 1, point 4\).](#)

38. Modernisation and replacement of equipment is an ongoing process. While management have prepared detailed plans setting out future asset and resourcing requirements, including proposals for refreshing and renewing IT systems the overarching asset planning strategy has not been taken to the Joint Board for scrutiny and approval.

[Action Plan \(Appendix 1, point 5\).](#)

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver services or the way in which they should be delivered.

Workforce planning

39. The Joint Board does not have a comprehensive workforce plan setting out the size and constitution of workforce required to deliver future services and objectives. In the absence of a workforce plan there is a risk that the appropriate number of staff, skills and competencies are not available in future years, adversely affecting the capacity to deliver services.

[Action Plan \(Appendix 1, point 6\).](#)

Reserves

40. The Valuation Joint Boards (Scotland) Order 1995 provides that, “The expenses incurred by a board shall be defrayed by its constituent authorities in such proportions as they may agree...”. It is Audit Scotland’s view that the flexibility of this wording means that it is possible for the Joint Board to make a surplus or deficit in any year, and therefore show a reserve balance in the Annual Accounts.

41. For a joint board the principal purposes of holding a reserve are to provide: a contingency fund to meet unexpected events; provide funding for investment in assets or spend to save initiatives; and, provide a fund available to support annual budgets.

42. The Joint Board’s reserve position is the result of an accumulation of unplanned surpluses in previous years. The Annual Accounts describe the reserve held by the Joint Board as a creditor. It is our view that this does not provide a transparent or helpful picture of the year end position to users of the Annual Accounts.

[Action Plan \(Appendix 1, point 7\).](#)

43. Guidance does not prescribe a maximum or minimum level of reserves but places the responsibility on the Treasurer to advise the authority on the levels of reserves and the processes necessary for their creation and use.

44. The overall level of usable reserves held by the Joint Board at 31 March is fairly modest at £0.276 million, being about 6.5% of total expenditure. The 2017/18 budget approved by the Board in December 2016 included a planned contribution from reserves of £0.067 million which should result in a reserve balance of £0.209 million at 31 March 2018.

Conclusion

45. The Joint Board’s financial position is sustainable in the foreseeable future although the burden of extra workload from individual electoral registration activities and increasing costs will continue to place a strain on capacity to deliver services at current levels. A number of key planning activities, including; medium to long term financial planning, workforce planning and reserves strategy need to be introduced.

Part 4

Governance and transparency



Main Judgements

The Joint Board has satisfactory governance arrangements in place.

The Joint Board could do more to be transparent in its business.

Governance arrangements

46. It is the responsibility of members and management of the Joint Board to establish and monitor arrangements which ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded.

47. Based on our observations and audit work performed during 2016/17, we concluded that the Joint Board has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision-making.

48. The Assessor and Electoral Registration Officer submits to each meeting of the Joint Board a "Progress Update" report. This report provides members with comprehensive information on activity levels and performance in respect of the previous period.

Internal control

49. South Lanarkshire Council, as host authority, provides support in some key areas of business, particularly in finance, legal and information technology.

50. As part of our audit, we reviewed the high level controls in a number of the systems used by South Lanarkshire Council for the processing and recording of transactions and the preparation of the financial statements of the Joint Board.

51. Our overall conclusion was that the key controls within the council's main financial systems were operating satisfactorily, and no significant risks were identified.

Internal audit

52. Internal audit is an important element of Lanarkshire Valuation Board's governance structure. Internal audit is provided by the host authority, South Lanarkshire Council.

53. Our review of internal audit concluded that the service operates largely in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

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.

Arrangements for the prevention and detection of fraud

54. The Board continues to participate in the National Fraud Initiative (NFI) through South Lanarkshire Council. The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems and to identify data matches that might indicate the existence of fraud or error. No matches have been identified from the current exercise.

55. The Joint Board's arrangements in relation to the prevention and detection of fraud and irregularities were satisfactory.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

56. The arrangements for maintaining standards of conduct and the prevention and detection of corruption in the Joint Board are satisfactory and we are not aware of any specific issues that we need to record in this report.

Transparency

57. The public should be able to hold the Joint Board to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.

58. One of the principal ways for the public to obtain information on the Joint Board is from its website. Information available on the website includes:

- Access to non-domestic rates, council tax and electoral registration processes.
- Annual accounts and public performance reports
- Various policy documents.

59. We reviewed the Joint Board's website from a lay user perspective and compared it with other joint board websites. The website is underdeveloped and could usefully be reviewed and revised to bring it up to date and provide a greater range of information. For example, agendas, papers and minutes from Joint Board meetings are not published on the Joint Board's website. These are only available from the website of South Lanarkshire Council.

[Action Plan \(Appendix 1, point 8\).](#)

60. The Joint Board publishes an annual performance report, which is available from its website. The 2016/17 report was, in our view, fair and balanced and included useful and well presented information in both narrative and graphic format.

Conclusions

61. The Joint Board has satisfactory governance arrangements in place. Generally, we concluded that the Joint Board could do more to be transparent in its business.

Part 5

Value for money



Main judgements

In respect of time to add new houses to the council tax valuation list, the Joint Board is performing at the top of the performance range.

In respect of time to make amendments to the valuation roll the Joint Board is consistently outperforming most other joint boards.

Best Value audit

62. Local government bodies, including joint boards, have a statutory duty to provide best value in the services they provide.

63. We did not undertake any specific best value work the Lanarkshire Valuation Joint Board during 2016/17. Our expectation would be that the Joint Board has systems and processes in place 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.

Public performance reporting

64. The Accounts Commission places great emphasis on local government bodies' responsibility for public performance reporting. The Commission does not prescribe how they should report but expects them to provide citizens with fair, balanced and engaging performance information reporting.

65. The Joint Board's 2016/17 public performance report was, in our view, fair and balanced and included useful and well presented information in both narrative and graphic format.

Performance indicators

66. Service performance is measured by standard performance indicators agreed between that Scottish Government and the Scottish Assessors' Association.

67. We assessed the Joint Board's published data against that of a sample of other Scottish valuation joint boards.

68. We concluded that, in respect of adding new houses to the council tax valuation list, the Joint Board is performing at the top of the range and has been sustaining this level of performance over the last three years. [Exhibit 4.](#)

69. In respect of amendments to the valuation roll the Joint Board is consistently outperforming most other joint boards. Although performance has dropped off in 2016/17 this can readily be explained by the extra burden of work associated with the national revaluation during 2016/17. Notwithstanding the extra work, the Joint Board has maintained its place in the top of the range. [Exhibit 5.](#)

Exhibit 4

Addition of new houses to the council tax list

	Comparator boards 2016/17					Lanarkshire VJB		
	A	B	C	D	E	2014/15	2015/16	2016/17
Achievement	%	%	%	%	%	%	%	%
Within 3 months	90	89	92	97	96	95	96	96
Within 6 months	99	99	98	99	99	99	99	99

Source: Valuation boards' published public performance reports

Exhibit 5

Amendments to the valuation roll

	Comparator boards 2016/17					Lanarkshire VJB		
	A	B	C	D	E	2014/15	2015/16	2016/17
Achievement	%	%	%	%	%	%	%	%
Within 3 months	70	56	56	65	74	88	85	72
Within 6 months	82	78	75	86	90	95	95	87

Source: Valuation boards' published public performance reports

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	 Issue/risk	 Recommendation	 Agreed management action/timing
7	<p>1. Compliance with Regulations</p> <p>The Annual Accounts were not published on the website of the Joint Board by the specified date.</p> <p>Risk</p> <p>Continuing breach of the regulations.</p>	<p>Management should ensure that arrangements are in place to ensure compliance with all relevant Regulations.</p>	<p>Agreed that in future the accounts will be published on the LVJB website as well as Council website by required date.</p> <p>Responsible officer:</p> <p>Treasurer</p> <p>Agreed date:</p> <p>June 2018</p>
8	<p>2. Presentation of Annual Accounts</p> <p>Improvements to the presentation of the Annual Accounts should be considered.</p> <p>Risk</p> <p>Users are not getting the best from the Annual Accounts.</p>	<p>The format and structure of the Annual Accounts should be revised for future years.</p>	<p>We will review other Valuation Board accounts and update the presentation of the LVJB accounts for 2017/18</p> <p>Responsible officer:</p> <p>Treasurer</p> <p>Agreed date:</p> <p>31 May 2018</p>
10	<p>3. Budgeting</p> <p>The Joint Board uses an incremental based budgeting. There are areas of persistent under /overspending against individual budget lines which require attention.</p> <p>Risk</p> <p>Changes over a number of years can lead to structural divergence between budget and actual outturn.</p>	<p>Where necessary adjustments should be made to ensure that the annual budget is up to date and reflects the underlying cost of the service level required. Treasurer should consider periodically zero basing the budget.</p>	<p>Agree to review in year budget to re-align budgets where necessary.</p> <p>Responsible officer:</p> <p>Treasurer / Administration Manager, LVJB</p> <p>Agreed date:</p> <p>December 2017</p>



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

11

4. Financial planning

The current budget process does not include medium to long term financial planning.

Risk

In the absence of medium to long term financial planning, the future financial risks facing the Joint Board may not be clearly understood.

Management should prepare a 3-5 year rolling budget using what information is available and incorporating sensitivity analysis and scenario planning.

A medium / long term financial plan will be drafted for the Board during 2017/18.

Responsible officer:

Treasurer / Administration Manager, LVJB

Agreed date:

March 2018

11

5. Asset planning

The overarching asset planning strategy has not been taken to the Joint Board for approval.

Risk

Asset planning is not subject to appropriate scrutiny and challenge.

Management should submit asset planning proposals to the Joint Board for approval.

Agreed

Responsible officer:

Assistant Assessor & ERO

Agreed date:

December 2017.

12

6. Workforce planning

The Joint Board does not have a comprehensive workforce plan setting out the size and constitution of workforce required to deliver future services and objectives.

Risk

The appropriate number of staff, skills and competencies are not available in future years, adversely affecting the capacity to deliver services.

Management should prepare a workforce plan.

Agreed

Responsible officer:

Assistant Assessor & ERO

Agreed date:

31 December 2017



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

12

7. Reserves

The Annual Accounts describe the reserve held by the Joint Board as a creditor.

Risk

This does not provide a transparent or helpful picture of the year end position to users of the Annual Accounts.

The accumulated balance included in creditors should be re-classified as a reserve in future Annual Accounts.

Agreed that this will be changed to record this as a reserve during 2017/18

Responsible officer:

Treasurer

Agreed date:

June 2018

14

8. Website

The Joint Board's website is underdeveloped and could usefully be reviewed and revised to bring it up to date and provide a greater range of information.

Risk

Users are not getting the information they need from the website.

The website should be revised and refreshed.

Agreed

Responsible officer:

Assistant Assessor & ERO

Agreed date:

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
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable. 	<p>Satisfactory results were obtained for all assurance procedures. No evidence of management override of controls was found.</p>
<p>2 Risk of fraud over income and expenditure</p> <p>ISA 240 requires us to address inherent risk of fraud over income. The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure.</p>	<ul style="list-style-type: none"> Internal controls in financial systems to mitigate risks of error or manipulation. Income and expenditure is closely monitored and reported. Significant differences between projected outturn and actual are investigated. 	<p>Satisfactory results were obtained for all assurance procedures. No instances of fraud or other irregularity were identified.</p>
<p>3 Financial sustainability</p> <p>LVJB relies on contributions from constituent councils for almost all of its income. Continuing pressure on constituent councils' budgets means that the Board faces a risk that in future years the same level of funding may not be available with a consequential impact on the level of service delivered.</p>	<ul style="list-style-type: none"> Financial strategy reflects known and anticipated activity for future years. 	<p>We monitored the Joint Board's financial planning throughout the year and concluded that it was taking appropriate actions to mitigate the financial pressures. We have noted the absence of medium to long term financial strategy, asset and workforce planning in (this) annual audit report.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>4 Revaluation</p> <p>The board have recently completed a revaluation of non-domestic property which is effective from 1 April 2017. LVJB is also responsible for assessing the rateable values of electricity subjects in Scotland in line with the responsibilities remitted to the position of Assessor for Lanarkshire under the Non-Domestic Rating (Valuation of utilities) (Scotland) Order, as amended. Inevitably there will be challenges to revaluations and these can be costly in terms of staff time and expenditure on legal fees. There is a risk going forward that the resources available to the Board will be insufficient to cover the increased demands of dealing with the cyclical appeals process.</p>	<ul style="list-style-type: none"> Budgets will be prepared using best estimates to ensure that the cost of the appeals process is factored in year on year. 	<p>An amount for engaging external legal advice is included in the 2017/18 budget.</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

Lanarkshire Valuation Joint Board

2016/17 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk