

# Tayside Valuation Joint Board

2019/20 Annual Audit Report



 AUDIT SCOTLAND

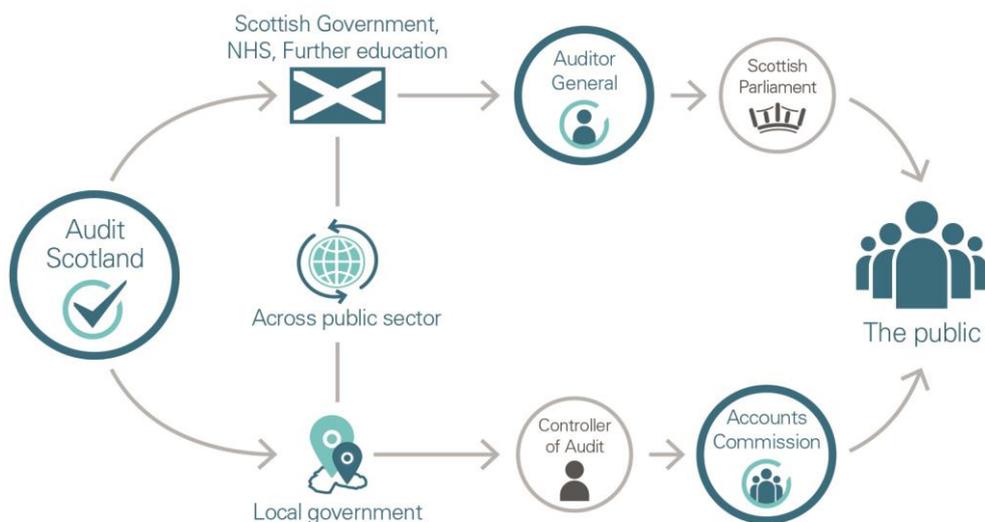
Prepared for the Members of Tayside Valuation Joint Board and the Controller of Audit

25 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, making clear and relevant recommendations.

# Contents

---

Key messages	4
Introduction	5
Part 1 Audit of the 2019/20 annual accounts	8
Part 2 Financial sustainability	11
Part 3 Governance and Transparency	13
Appendix 1 Action plan 2019/20	15
Appendix 2 Significant audit risks identified during planning	16
Appendix 3 Summary of national performance reports 2019/20	18

---

# Key messages

---

## 2019/20 annual report and accounts

- 1 The joint board's financial statements give a true and fair view and are properly prepared in accordance with the financial reporting framework.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and are prepared in accordance with relevant regulations and guidance.
- 3 Despite the Covid-19 pandemic, the annual accounts were submitted on time for audit and the original audit timetable was achieved.

## Financial sustainability

- 4 The joint board's financial performance during 2019/20 was better than the joint board had anticipated.
- 5 The joint board's level of usable reserves has increased to £0.141 million and is in line with the its approved financial strategy.
- 6 Progress has been made with medium term financial planning and further improvements are planned to link financial planning to the joint board's strategic objectives

## Governance and Transparency

- 7 The joint board has appropriate governance arrangements in place that support the scrutiny of decisions made.
- 8 Overall the joint board demonstrates a commitment to transparency in the way it conducts its business, although Board meeting minutes on the website are not up to date.

---

# Introduction

---

**1.** This report summarises the findings from our 2019/20 audit of Tayside Valuation Joint Board (the joint board).

**2.** The scope of our audit was set out in our 2019/20 Annual Audit Plan presented to management on 23 March 2020. The Annual Audit Plan is scheduled to be presented to the August 2020 meeting of the Board. This report comprises the findings from:

- an audit of the annual accounts
- consideration of financial sustainability and the governance & transparency arrangements in the joint board.

**3.** Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the joint board has had to respond to the Covid-19 pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements.

**4.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

---

## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

---

**5.** 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 financial sustainability of the body and its services and the appropriateness of the disclosures in the annual governance statement.

**6.** 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 to the 2019/20 audit of the joint board.

### **Adding value through the audit**

**7.** We add value to the joint board through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focussed conclusions on the appropriateness, effectiveness and impact of corporate governance arrangements and financial sustainability

**8.** 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**

**9.** 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.

**10.** 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.

**11.** 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.

**12.** As public sector auditors we give independent opinions on the annual report and accounts. Additionally, for the joint board we conclude on:

- the suitability and effectiveness of corporate governance arrangements, and
- the arrangements for securing financial sustainability.

**13.** In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016.

**14.** This report raises matters from our audit of the annual accounts and consideration of the audit dimensions. 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.

**15.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out a specific recommendation, responsible officer and date for implementation. It includes an update on an outstanding action from last year's action plan recommendation.

## **Auditor Independence**

**16.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £7,450 as set out in our Annual Audit Plan, remains unchanged.

**17.** We are not aware of any relationships that could compromise our objectivity and independence.

**18.** 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) in due course.

**19.** We would like to thank the management and staff for their cooperation and assistance during the audit.

---

# Part 1

## Audit of the 2019/20 annual accounts

---



### Main judgements

---

**The joint board's financial statements give a true and fair view and are properly prepared in accordance with the financial reporting framework.**

---

**The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and are prepared in accordance with relevant regulations and guidance.**

---

**Despite the Covid-19 pandemic, the annual report and accounts was submitted on time for audit and the original audit timetable was achieved.**

---

### Our audit opinions on the annual accounts are unmodified

**20.** The annual report and 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.

**21.** The annual accounts for the joint board for the year ended 31 March 2020 were approved by the Board on 24 August 2020.

**22.** As reported within the independent auditor's report the:

- financial statements give a true and fair view and are properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement are all consistent with the financial statements and are properly prepared in accordance with the applicable requirements.

### The annual accounts were signed off on time

**23.** Unaudited annual accounts were scheduled to be provided for audit by 11 June 2020 to allow sign off by the Scottish Government deadline of 30 September 2020. Due to the impact of Covid-19, the Scottish Government extended the deadline for submission of local authority audited annual report and accounts to 30 November 2020 however we agreed with officers that the original timetable would be adhered to. The unaudited annual report and accounts were received on 11 June 2020 in line with the audit timetable set out in our 2019/20 Annual Audit Plan.

**24.** The unaudited annual report and accounts provided for audit were complete and of a good standard. Covid-19 had a significant impact on how we conducted our audit with remote working required by officers and the audit team. We are grateful to the joint board's finance staff for the assistance they provided in these circumstances which helped ensure the final accounts audit process ran relatively smoothly.

**25.** The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were affected by the Covid-19 outbreak. Examples included:

- bank letters to support bank reconciliations were not provided by the bank
- asset physical verification.

**26.** However, we did not consider these to be material to our audit opinions and have not modified our opinion.

## Overall materiality for the accounts is £79,000

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

**28.** We carried out our initial assessment of materiality for the annual accounts during our planning phase of the audit. On receipt of the unaudited annual accounts we reviewed our planning materiality calculations and concluded that no changes were required to our planned levels. Our materiality levels are set out in [Exhibit 2](#).

## 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 has been set at 2% of gross expenditure for the year ended 31 March 2020.	£79,000
<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% of overall materiality	£59,000
<b>Reporting threshold</b> - we are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of overall materiality.	£4,000

Source: Audit Scotland

## Appendix 2 identifies the main risks of material misstatement and our audit work to address these

**29.** [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

**30.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan.

## Misstatements of £0.019 million were adjusted in the accounts. These were less than our performance materiality and we did not need to revise our audit approach

**31.** Misstatements identified during the audit, which exceeded our reporting threshold, were amended in the financial statements. Details of these misstatements, which totalled £0.019 million are noted below as significant findings.

**32.** We identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

## We have reported significant findings from the audit of the accounts

**33.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. Significant findings were identified during our audit and these are summarised in [Exhibit 3](#).

---

### Exhibit 3 Significant findings from the audit of the financial statements

Finding	Resolution
<p><b>1. Revenue expenditure overstated</b></p> <p>Two transactions totalling £0.013 million have been included in the Comprehensive Income and Expenditure Statement as 2019/20 expenditure. £0.012 million of this related to services to be provided in 2020/21 and should have been accrued as a short term debtor.</p> <p>In addition, £0.007 million of expenditure on routers has been included in the Comprehensive Income and Expenditure Statement as revenue expenditure. This expenditure should have been capitalised by the joint board as Non-Current Assets.</p> <p>In correcting these misstatements £0.019 million is now included within creditors as a refund of contributions to constituent authorities and therefore there is no impact on the usable reserve balance.</p> <p>The impact of correcting the misstatements is to reduce net revenue expenditure and increase net assets by £0.007 million. This is due to the capitalisation of the routers which has now been financed from the Capital Contributions Receipts in Advance Account.</p>	<p>Management has adjusted for the misstatements in the 2019/20 annual accounts.</p>

Source: Tayside Valuation Joint Board Annual Accounts 2019/20

---

## Limited progress was made on prior year recommendations

**34.** We made one recommendation in our Annual Report of 2018/19 and one follow up recommendation from the previous year. The joint board has made limited progress in implementing these audit recommendations. Details of actions taken, and any remedial action required are set out in [Appendix 1](#).

# Part 2

## Financial sustainability



### Main judgements

The joint board's financial performance during 2019/20 was better than the joint board had anticipated.

The board's level of usable reserves has increased to £0.141 million and is in line with the joint board's approved financial strategy.

Progress has been made with medium term financial planning and further improvements are planned to link financial planning to the joint board's strategic objectives.

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.

### Financial performance in 2019/20 was better than anticipated

**35.** The joint board approved its 2019/20 budget on 21 January 2019. The budget was set at £2.791 million, which was the same level as approved for 2018/19. The 2019/20 budget was to be met by £2.765 million of requisitions from constituent authorities, with the remaining £0.026 million deficit to be met from the joint board's general reserve.

**36.** The financial performance of the joint board during 2019/20 was such that no transfer from the general reserve transfer was required and a surplus of £0.039 million was achieved. Increasing the joint board's usable reserves to £0.141 million. This level is within the level contained within the joint board's approved financial strategy.

**37.** While the joint board came in £0.065 million under budget, there are variations in some areas of service, the most significant of which are summarised in [Exhibit 4](#).

### Exhibit 4

#### Summary of significant (under) / overspends against budget

Area	(Under)/overspend	Reason for variance
Staff costs	£(0.145) million	A higher than normal level of vacancies, after the period of the move of the Headquarters and Dundee divisions to William Wallace House in Forfar, in addition to a delay in the recruitment of posts specific to the implementation of the Barclay Review.

Area	(Under)/overspend	Reason for variance
Supplies and services	£0.083 million	Higher than anticipated costs on printing, IT and postage incurred on Individual Electoral Registration, and legal fees towards ongoing valuation appeals.
Third party payments	£(0.016) million	Legal expenses were lower than anticipated due to a lower than expected number of contentious appeals.
Requisition income	£0.019 million	Refund of requisition income to constituent councils for lower than anticipated expenditure.

Source: Tayside Valuation Joint Board Annual Accounts 2019/20

## Progress has been made with medium term financial planning

**38.** We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

**39.** In January 2020, the Board approved a report on its provisional revenue budget for the medium term from 2020/21 to 2024/25. The report set out the provisional revenue budget for 2020/21 and also included indicative revenue budgets for the following four years. This is a positive step toward longer term financial planning.

**40.** The joint board's Annual Governance Statement includes a continuous improvement agenda for 2020/21 improvement actions. The agenda includes an action to "investigate options for ensuring that the medium term financial strategy integrates with service priorities and resource constraints", which has been carried forward from the previous year. A revised action date of 30 September 2020 has been set for this improvement.

**41.** The report shows a requirement for constituent authorities over the period, increasing from £2.765 million in 2020/21 (the same as 2019/20) to £2.976 million by 2024/25, an increase of 7.5% over the period.

**42.** The joint board reviews the level of its uncommitted reserves when setting the budget each year. The joint board's approved reserves strategy specifies that the minimum uncommitted reserves should be £0.060 million. The level of uncommitted general fund reserves as at 31 March 2020 is in line with the approved strategy.

**43.** We have concluded that the joint board has adequate financial planning arrangements in place with further improvements identified for 2020/21. We have also concluded that the joint board's financial position is sustainable in the short–medium term.

## National performance audit reports

**44.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 3](#) highlights a number of the reports published in 2019/20.

# Part 3

## Governance and Transparency



### Main Judgements

**The joint board has appropriate governance arrangements in place that support the scrutiny of decisions made by the Board**

**The interim governance arrangements put in place following the coronavirus outbreak are appropriate.**

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.

### Overall, governance and transparency arrangements were adequate in 2019/20

**45.** The joint board is governed by a Board (the Board) consisting of members from Dundee City, Angus and Perth & Kinross Councils. The Board meets quarterly.

**46.** The governance and transparency arrangements that we considered include:

- the structure and conduct of the Board
- openness and transparency
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption.

**47.** From our attendance at Board meetings we have observed that sufficient time is allowed to discuss the issues on the agendas and members are well prepared and ask appropriate questions.

**48.** Openness and transparency means that the public have access to understandable, relevant and timely information about how the joint board is taking decisions and how it is using resources such as money, people and assets.

**49.** The joint board demonstrates its commitment to transparency in a number of ways:

- members of the public can attend meetings of the Board
- agendas and minutes for the joint board meetings and supporting papers are available on the joint board's website
- the availability of the annual accounts on the website.

**50.** However, minutes on the joint board's website are not up to date. As at 24 August, the latest Board meeting minute available on the website relate to 18 November 2019.



### Recommendation 1

**Posting of Board minutes to the website should be kept up to date.**

---

**51.** We have concluded that, overall, the joint board has appropriate governance and transparency arrangements in place that support the scrutiny of decisions made by the Board.

### **Amended governance arrangements were put in place from March 2020 as a result of Covid-19**

**52.** The impact of Covid-19 from March 2020 on the governance arrangements has been set out in the Annual Governance Statement in the annual accounts. The joint board's existing Scheme of Delegation was relied on in order to ensure that officers acted in accordance with the powers which the Board has already delegated. Further interim governance arrangements were put in place including:

- all non-essential Board business deferred to ensure that all Board Members and all Officers can concentrate on supporting the Board through the Coronavirus period
- all essential Board business not covered by the Scheme of Delegation was dealt with as urgent matters by the Clerk, in consultation with the Chair and Vice-Chair of the Board.

**53.** We have concluded that the interim governance arrangements put in place following the coronavirus outbreak are appropriate.

### **The joint board has appropriate arrangements in place for prevention and detection of fraud and error**

**54.** The joint board is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, the board is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**55.** We have reviewed the arrangements in place and concluded that appropriate arrangements are in place for the prevention and detection of fraud, error and irregularities, bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Governance arrangements</b></p> <p>Minutes on the joint board's website are not up to date. As at 24 August 2020, the latest Board meeting minute available on the website relate to 18 November 2019.</p> <p><b>Risk</b></p> <p>Members of the public do not have timeous access to information to allow them to scrutinise the Board's decision making.</p>	<p>Posting of Board minutes to the website should be kept up to date</p> <p><a href="#">Paragraph 50</a></p>	<p>The Assessor will arrange for minutes to be updated on the joint board website more timeously.</p> <p>Responsible Officer: Assessor</p> <p>Agreed date: Immediate</p>

### Follow up of prior year recommendations

PY1	<p><b>Governance arrangements</b></p> <p>Agendas and minutes on the joint board's website are not up to date. Agenda papers do not include the reports referred to in the agenda.</p> <p><b>Risk</b></p> <p>Members of the public do not have timeous access to information to allow them to scrutinise the Board's decision making.</p>	<p>Minutes should be published on the joint board's website as soon as possible after the meeting. Published agendas should include all reports referred to in the agenda in advance of the meeting date, unless the report is required to be considered in private session.</p>	<p>Partly completed: Board papers are now included on the joint board's website along with the Board meeting agenda. However, minutes on the joint board's website are not up to date. A revised recommendation has been included at point 1 above.</p>
-----	--	--	---

# Appendix 2

## Significant audit risks identified during planning

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

### Risks of material misstatement in the financial statements

<p><b>1 Risk of material misstatement caused by management override of controls</b></p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focussed testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business</li> </ul>	<ul style="list-style-type: none"> <li>• No instances of management override of controls were identified.</li> <li>• All journals and significant transactions tested (including accruals) were found to be appropriate.</li> <li>• Sources of accounting estimates were reviewed and found to be without bias.</li> <li>• We reviewed transactions for the year. No significant transactions were identified that were outside the normal course of the joint board's business.</li> </ul>
<p><b>2 Risk of material misstatement caused by fraud in expenditure</b></p>	<ul style="list-style-type: none"> <li>• Assessment of key financial controls over expenditure.</li> <li>• Detailed testing of transactions focussing on the greater areas of risk.</li> </ul>	<ul style="list-style-type: none"> <li>• No significant issues were found in relation to controls in place across the key financial systems.</li> <li>• From a review of expenditure transactions during the year, no issues were highlighted in relation to the risk of fraud over expenditure.</li> </ul>
<p><b>3 Risk of material misstatement caused by estimations and judgements</b></p>	<ul style="list-style-type: none"> <li>• Review of the 'work of an expert' for the actuary.</li> <li>• Assessment of the appropriateness of actuarial assumptions.</li> <li>• Focused testing of pensions.</li> </ul>	<ul style="list-style-type: none"> <li>• Estimations and judgements applied were tested to confirm they were appropriate and reasonable. No issues were highlighted with the estimates and judgements applied.</li> </ul>

---

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


---

**4 Financial sustainability – aligning budgets with strategic plans**

The Board approved a provisional revenue budget for 2020/21 to 2024/25 in January 2020. The report set out the provisional revenue budget for 2020/21 and also included indicative revenue budgets, however there remains no formal medium to long term planning incorporating scenario planning. The joint board may fail to set realistic targets in its business plans or may be unable to achieve its objectives due to lack of resources.

- Monitoring of budget reports to look for alignment and integration with service priorities.
  - The joint board's continuous improvement agenda for 2020/21 includes an action to "investigate options for ensuring that the medium term financial strategy integrates with service priorities and resource constraints", which has been carried forward from the previous year. A revised action date of 30 September 2020 has been set for this improvement. See [paragraph 40](#).
-

# Appendix 3

## Summary of national performance reports 2019/20



**2019/20  
Reports**

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

# Tayside Valuation Joint Board

## 2019/20 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

For the latest news, reports and updates, follow us on:



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