

Renfrewshire Valuation Joint Board

2018/19 Annual Audit Report – Proposed



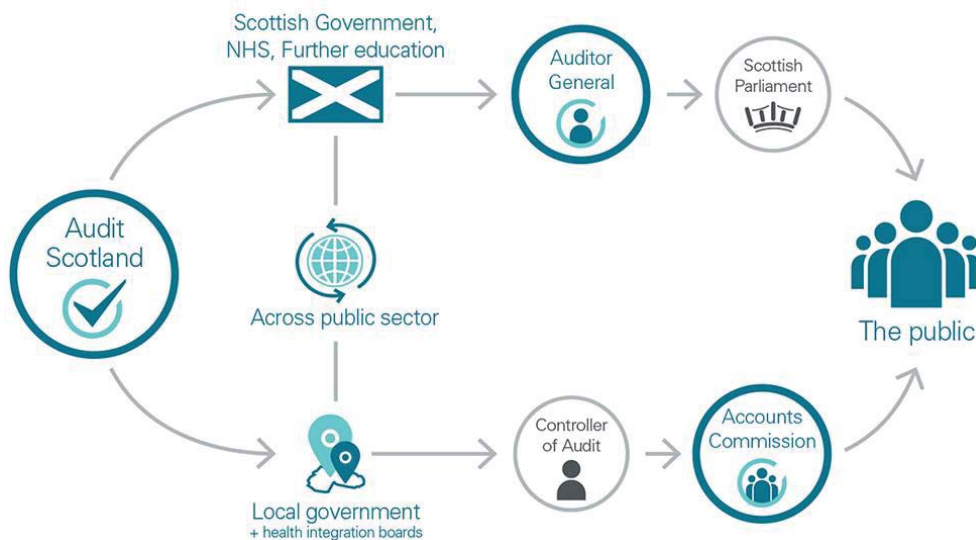
 AUDIT SCOTLAND

Prepared for Renfrewshire Valuation Joint Board and the Controller of Audit
August 2019

Who we are

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

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



About us

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

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

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

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Key messages

2018/19 annual report and accounts

- 1** Renfrewshire Valuation Joint Board's financial statements give a true and fair view and were properly prepared.
- 2** An adjustment to pension disclosures and balances was required as a result of a legal judgement. This resulted in an increase of £0.251 million to the pension fund liability reported in the Balance Sheet.
- 3** The Management Commentary, the 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.

Financial sustainability

- 4** A deficit of £56,662 was incurred in 2018/19 which was slightly lower than budgeted. The deficit was managed through the planned use of reserves.
- 5** With the current level of reserves is expected to be maintained above 5% of turnover, management has more flexibility, in the short term, to address adverse or uncertain events. However, the financial sustainability of RVJB and the services it delivers for the medium to longer term will remain challenging.
- 6** We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Introduction

1. This report summarises the findings from our 2018/19 audit of Renfrewshire Valuation Joint Board (RVJB).
2. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 18 January 2019 meeting of the Joint Board. This report comprises the findings from:
 - an audit of the RVJB annual report and accounts
 - consideration of the financial sustainability and Governance Statement.

Adding value through the audit

3. We add value to the RVJB through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability.
4. In so doing, we aim to help RVJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. RVJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with proper accounting practices. RVJB is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as the 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.
7. As public-sector auditors we give independent opinions on the annual report and accounts and conclude on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.
8. 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 Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2018/19 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 2018/19 audit.

- 9.** 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.
- 10.** 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.
- 11.** 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 2018/19 audit fee of £7,280 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
- 12.** 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.
- 13.** We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual report and accounts



Main judgements

The RVJB's financial statements give a true and fair view and were properly prepared.

An adjustment to pension disclosures and balances was required as a result of a legal judgement. This resulted in an increase of £0.251 million to the pension fund liability reported in the Balance Sheet.

The Management Commentary, the 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.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Audit opinions on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2019 were approved by the Joint Board on 16 August 2019. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- the Management Commentary, the 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.

Submission of annual report and accounts for audit

15. We received the unaudited annual report and accounts on 31 May 2019 in line with our agreed audit timetable.

16. The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

17. The Local Authority Accounts (Scotland) Regulations 2014 required RVJB to give public notice for inspection and objection of the 2018/19 unaudited annual report and accounts by 17 June 2019. The public notice was published on the RVJB website on 26 June 2019 and in a newspaper on 28 June 2019, meaning this deadline was not met.

Risks of material misstatement

18. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual report and 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.

19. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

Materiality

20. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material, we consider both the amount and nature of the misstatement.

21. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual report and accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

22. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations as detailed in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£26,000
Performance materiality	£15,000
Reporting threshold	£1,000

Source: Audit Scotland

Significant findings from the audit (ISA 260)

23. 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 body's accounting practices covering accounting policies, accounting estimates, and financial statements disclosures.

24. The significant findings are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

25. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Capital accounting</p> <p>We recommended in our 2017/18 Annual Audit Report that management review how capital expenditure is reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that capital expenditure would be reflected in the financial statements to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in new accounting policies for property, plant, and equipment (PPE) and intangible assets. To comply with <i>International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors</i>, retrospective restatements and a third Balance Sheet were required. A number of new transactions, balances, and statutory adjustments have been reflected in the financial statements.</p>	<p>The audit recommendation has been fully implemented by management within the 2018/19 financial statements.</p>
<p>2. Reserves accounting</p> <p>We recommended in our 2017/18 Annual Audit Report that management review how reserves are reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that the accounting treatment for reserves would be updated to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in a revenue reserve balance being recognised in the financial statements at the year end. Prior year comparatives were also restated to reflect the update accounting treatment. The revenue reserve balance reflects accumulated surpluses that have been generated in previous years which are available to RVJB.</p>	<p>The audit recommendation has been fully implemented by management within the 2018/19 financial statements.</p>
<p>3. Pension fund liability legal judgement</p> <p>Legal cases were brought against the UK government regarding the transition arrangements made in each of the pension schemes for judges and firefighters. These arrangements came into effect as part of the move from a Final Salary Pension Scheme to a Career Average Pension Scheme in 2015 and included certain protections for active members of the schemes.</p> <p>The claimants successfully argued, in the resultant Employment Tribunal hearing, that some elements of the protection measures were unlawful on the grounds of age discrimination. The Employment Tribunal's ruling on this matter was upheld by the Supreme Court in June 2019.</p> <p>As this would have an impact on the transition arrangements of all government backed pension schemes, the council instructed, on behalf of RVJB, the actuary to the Strathclyde Pension Fund to quantify the impact on the RVJB's pension fund liability. The actuary estimated that the impact from this case is to increase the RVJBs' pension fund liability by £0.251 million.</p>	<p>The financial statements were updated to reflect the impact of the legal judgement on the pension fund liability.</p>

Finding	Resolution
<p>The impact of this adjustment resulted in a £0.251 million increase to the pension fund liability reported in the Balance Sheet from £2.832 million to £3.083 million, with a matching increase in the unusable pension reserve. This also results in a £0.246 million increase in the pension cost charge incorporated within the Comprehensive Income and Expenditure Statement in the accounts. As these adjustments are fully mitigated by a statutory adjustment, they have no impact on the £56,662 deficit reported in the general fund reserve balance in the unaudited accounts.</p>	
<p>4. Cashflow Statement</p> <p>As part of audit work during the year, we had discussions with management on the presentation of the financial statements and the requirement for a Cashflow Statement. RVJB does not have a bank account and all income and expenditure transactions are processed through Renfrewshire Council's, as the administering authority, bank account. The only cash held by RVJB is petty cash which amounted to £100 at the year end.</p> <p>As a result, it was agreed that the Cashflow Statement could be removed as the cash held by RVJB was not significant and the Cashflow Statement should only reflect cash transactions processed by RVJB, of which there were none. This was reflected in the unaudited annual report and accounts considered by the Joint Board in May 2019.</p>	<p>The financial statements were updated to remove the Cashflow Statement.</p>
<p>5. Capital expenditure</p> <p>As part of our work on PPE and intangible assets, we identified capital expenditure transactions had been correctly capitalised on the Balance Sheet. However, the transactions had also been processed incorrectly through the Comprehensive Income and Expenditure Statement as revenue expenditure. This resulted in income and expenditure being overstated by £37,614 in 2018/19 and by £17,656 in 2017/18 respectively.</p>	<p>The overstatement of income and expenditure in 2017/18 and 2018/19 was corrected within the Comprehensive Income and Expenditure Statement.</p> <p>As income and expenditure were overstated by the same amount, this did not impact on the deficit on the provision of services.</p>
<p>6. Capital expenditure 2017/18</p> <p>As part of our work on restatements, we identified that not all capital transactions in 2017/18 had been capitalised and had been incorrectly treated as revenue expenditure. This resulted in capital additions being understated by £30,200 and supplies and services expenditure being overstated by this amount.</p> <p>This understatement also impacted on a number of other balances and transactions in 2017/18 and 2018/19:</p> <ul style="list-style-type: none"> • capital grants and contributions were understated by £30,200 in 2017/18 • capital charges were understated by £6,040 in 2018/19 • the capital adjustment account (CAA) was understated by £30,200 in 2017/18 and £49,896 in 2018/19 • other related statements and notes were affected by the impact of these misstatements. 	<p>The understatement of 2017/18 capital additions and other balances and transactions impacted by this understatement were corrected.</p> <p>A number of account areas were affected by this adjustment. However, this did not impact on the deficit on the provision of services.</p>

How we evaluate misstatements

26. 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 were three material adjustments to the unaudited financial statements which are outlined in [Exhibit 2](#). There were no other errors above the reporting threshold.

Follow up of prior year recommendations

27. We have followed up actions previously reported and assessed progress. Two agreed actions were raised in 2017/18 and both have been fully actioned.

28. As detailed at [Exhibit 2](#) above, during the 2017/18 audit, we noted that RVJB had incurred capital expenditure, but this had been accounted for as revenue expenditure. The financial statements disclosed that RVJB did not have the power to hold assets therefore any capital expenditure was treated as revenue expenditure.

29. A similar disclosure issue was identified in respect of RVJB's reserves. The financial statements outlined that Joint Boards had no specific powers to hold reserves therefore reserves were transferred to creditors. Any reserves that have been built up will ultimately be returned to the member councils upon the cessation of RVJB or when the Joint Board decides to reimburse the reserves to member councils.

30. The Code of Practice on Local Authority Accounting in the United Kingdom states that for financial statements to be useful, they must provide a faithful representation of financial information with the substance of a transaction/process being reported as opposed to its legal form.

31. We recommended that management should review how capital expenditure and reserves were disclosed within the financial statements.

32. For the 2018/19 financial statements management have revised their accounting treatment and now recognise assets and reserves within the financial statements. As a result, the Balance Sheet has been restated to reflect the impact of this change in accounting treatment.

Part 2

Financial sustainability



Main judgements

A deficit of £56,662 was incurred in 2018/19 which was slightly lower than budgeted. The deficit was managed through the planned use of reserves.

With the current level of reserves expected to be maintained above 5% of turnover, management has more flexibility, in the short term, to address adverse or uncertain events. However, the financial sustainability of RVJB and the services it delivers for the medium to longer term will remain challenging.

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

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 2018/19

33. The Joint Board approved the 2018/19 budget in January 2018. Total budgeted expenditure was £2.396 million and total budgeted income was £2.329 million. This resulted in a budget gap of £66,700 that management planned to meet through the use of reserves.

34. Actual outturn in 2018/19 was total expenditure of £2.406 million and total income of £2.350 million. This resulted in a deficit of £56,662 for the year which was £10,038 lower than the budgeted figure.

Short term financial planning

35. The largest source of income for RVJB is requisitions from members of the Joint Board. Other sources of income include funding from the Cabinet Office for Individual Electoral Registration (IER) (due to end in 2020/21) and income from sales, fees and charges.

36. In 2018/19, RVJB achieved a significant reduction in property costs by vacating the upper floor in the Robertson Centre. The new arrangement started on 1 October 2018, with Renfrewshire Leisure Limited taking on the lease from Renfrewshire Council. The full benefit of the reduction in property costs will impact on the 2019/20 budget.

37. The Joint Board approved the 2019/20 budget in January 2019. Total budgeted expenditure was £2.388 million and total budgeted income was £2.388 million. This anticipated achieving a balanced budget by generating in year savings of £29,600. Management had therefore planned to meet any anticipated shortfall through savings rather than through the use of reserves. Requisition income for 2019/20 has increased by 3.5% to £2.301 million.

38. The 2019/20 budget also proposed requisitions from members increases by 3% in 2020/21 and 2021/22. However, in light of the savings requirements for

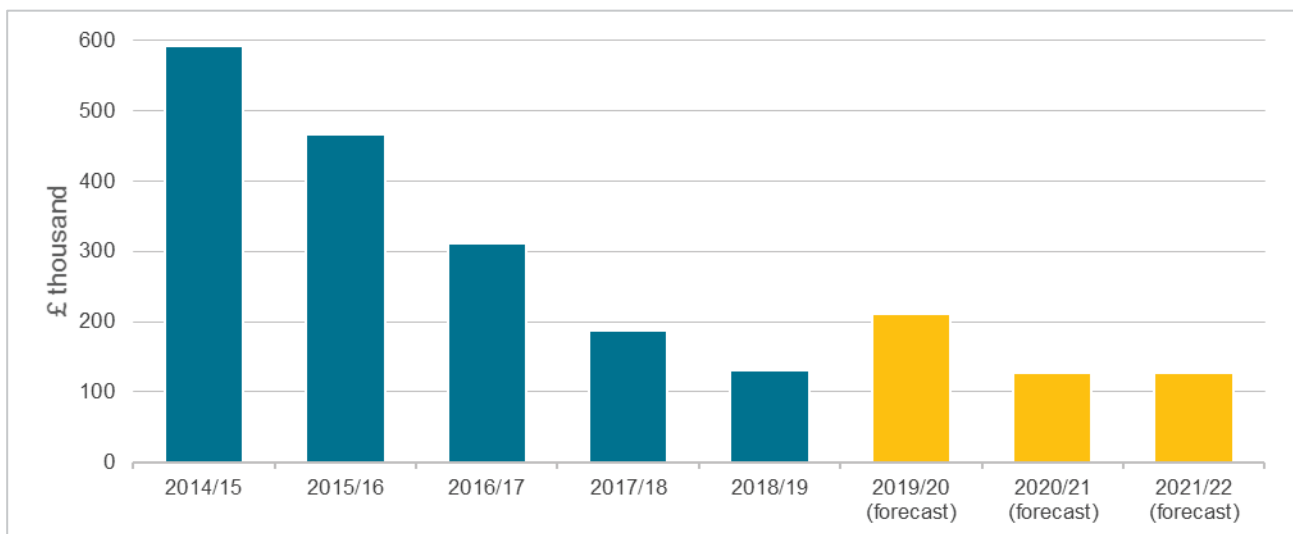
future years and the recommendation to maintain a minimum level of reserves at 5%, the level of requisition will require to be kept under review. Increases will need to be approved by the Joint Board at each year's budget setting meeting.

39. At the Joint Board meeting in May 2019, the Treasurer presented further detail as to how the unallocated savings in the 2020/21 and 2021/22 Revenue Estimates report would be achieved. The additional funding of £200,000 to support the implementation of the Barclay Review was factored into the revised budget for 2020/21 and 2021/22 respectively.

40. The 2019/20 budget now anticipates increasing reserves by £92,191. This contrasts with the previously reported position of required savings of £29,600. It also contrasts with the position in recent years where reserves have reduced steadily each year since 2014/15. This increase is temporary and results from the timing of spend in relation to the implementation of Barclay. It is expected to be drawn down in 2020/21.

41. With the current level of reserves is expected to be maintained above 5% of turnover, management has more flexibility, in the short term, to address adverse or uncertain events such as guarantees of funding for IER ([Exhibit 3](#)). The reserves balance is monitored at each Joint Board meeting through the revenue monitoring report.

Exhibit 3 Analysis of useable reserves



Source: RVJB annual report and accounts 2014/15 – 2018/19 and RVJB budget 2019/20 and forecast to 2021/22.

Medium to long term financial planning

42. 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.

43. As part of the budget setting process, revenue estimates are prepared for a 3 year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

44. In addition to 3 year revenue estimates, there are financial outlook papers presented to the Joint Board. These include details of significant issues or pressures on RVJB, actions being taken to address the issues, and incorporate

scenario planning where applicable which outlines the impact of various situations that could arise.

45. The Joint Board approved RVJB's Strategic Service Plan 2018-2021 in June 2018, with an annual update presented to the Joint Board in May 2019. The plan outlines RVJB's statutory requirements and services, objectives, and outlines details of key activities and outcomes which will allow the objectives of the plan to be achieved over the 3 year period. The plan includes activities and outcomes in relation to financial planning, budgeting, and monitoring.

46. The Joint Board faces a number of challenges and uncertainties in the medium term with the funding position for local government in Scotland likely to reduce further. These include:

- **the Barclay Review:** the Scottish Government announced that £3 million of funding will be available to allow the agreed recommendations to be implemented. The three constituent authorities have been awarded £200,000 in 2019/20, which has been passed on in full to RVJB; however, RVJB will continue to face pressures associated with the ongoing Non-Domestic Revaluation. Future year projections assume that Barclay funding will continue at a rate of £200,000 per annum, although this has not yet been confirmed by the Scottish Government.
- **Individual Electoral Registration:** this funding will cease from 2020/21 and RVJB will be expected to meet the costs of the annual canvass from its core budget. These costs are currently estimated at £75,000 each year. The UK Government intend to amend legislation governing the annual canvass during 2019 with the changes taking effect from the start of 2020 which ties in with the removal of funding from 2020/21.
- **Electoral events:** there is always a risk of an unplanned electoral event which the Joint Board would require to respond to quickly.
- **2017 Revaluation Appeals:** there are risks associated with the settling of outstanding revaluation appeals but these are closely monitored by management.

47. From the work carried out, we have concluded that RVJB has sound financial planning arrangements in place. There are pressures that could impact on RVJB's financial sustainability and ability to deliver services. However, the financial planning arrangements have allowed management to take mitigating actions against these pressures.

Efficiency savings

48. In recent years, RVJB has been required to deliver efficiency savings to address budget pressures. This has allowed RVJB to be financially sustainable, however there will be less opportunity going forward to achieve future savings.

49. A Service Review was carried out in early 2018 and results of this were reported to the Joint Board in June 2018. Part of the Service Review looked at how potential savings could be delivered. Several options were identified which included the update and replacement of various IT systems.

50. The purchase of an Electoral Management System (EMS) and Non-Domestic Rates System (NDRS) was approved by members at the Joint Board meeting on 23 November 2018. It is anticipated that these two systems will enable RVJB to generate efficiency savings over the next 3 year period.

51. The EMS costing £25,000 with part year maintenance costs of £6,000 was purchased in 2018/19 funded from a forecast underspend, and the annual licensing and maintenance costs of both systems have been reflected in future years' budgets.

Annual Governance Statement

52. Our review of the Annual Governance Statement assessed the assurances which are provided to the Assessor and Electoral Registration Officer regarding the adequacy and effectiveness of the Joint Board's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding 'that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Board's internal control system'.

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

EU Withdrawal

54. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services
- funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports
- regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

55. RVJB continues to prepare for and address EU withdrawal. Beyond unplanned electoral events, RVJB does not anticipate EU withdrawal to have an impact on organisational duties. Any impact on the organisation as a result of EU withdrawal has been reflected on the Corporate Risk Register (CRR). The CRR has been updated to reflect the risks and mitigating actions against any potential impact and RVJB has advised that these events will be closely monitored.

56. We have concluded RVJB has appropriate arrangements in place in preparing for EU withdrawal.

Appendix 1

Action plan 2018/19



No. Issue/risk

Recommendation

Agreed management action/timing

Follow up of prior year recommendations

<p>1</p>	<p>Capital expenditure and reserves</p> <p>The financial statements disclose RVJB does not have the power to hold assets or reserves therefore capital expenditure and reserves are not reflected within the financial statements.</p> <p>Risk</p> <p>There is a risk the financial statements do not fully reflect the substance of RVJB's transactions.</p>	<p>It is recommended that management continue to review how capital expenditure and reserves are reported in the financial statements.</p>	<p>The 2018/19 financial statements have been revised and now recognise assets and reserves within the financial statements. As a result, the Balance Sheet has been restated to reflect the impact of this change in accounting treatment.</p> <p>Complete</p>
<p>2</p>	<p>Corporate Risk Register</p> <p>The Corporate Risk Register (CRR) was last reported to the Joint Board in August 2016. The Risk Management Strategy requires the CRR to be reported to the Joint Board on at least an annual basis. The May 2017 election resulted in changes to the membership of the Joint Board.</p> <p>Risk</p> <p>There is a risk the Joint Board is not sighted on the risks that could affect RVJB and its services or the mitigating actions being taken to address the risks.</p>	<p>The CRR should be updated and reported to the Joint Board on in line with the Risk Management Strategy.</p>	<p>The Corporate Risk Register has been updated and is reported to the Joint Board in line with the Risk Management Strategy.</p> <p>Complete</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. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating 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		
<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 to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2 Risk of fraud over expenditure</p> <p>Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p> <p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. This applies to RVJB due to the variety and extent of expenditure incurred in delivering services.</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Estimates and Judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account area of pensions.</p> <p>RVJB's net liability relating to the Strathclyde Pension Fund at 31 March 2018 was £1.676 million. This value is an estimate based on a number of assumptions from the pension fund actuary.</p> <p>This subjectivity represents an increased risk of material misstatement in the financial statements.</p>	<p>Review of the pension actuary and the assumptions made in calculating the estimated pension liability.</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.</p> <p>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</p>
<p>4 New accounting system</p> <p>Renfrewshire Council implemented an enterprise resource planning system (Business World), in October 2018 which combines finance, HR, payroll and procurement into a single integrated application.</p> <p>The implementation of Business World during the 2018/19 financial year means that the annual accounts will be prepared using information recorded both before and after the change in system, under two different control environments.</p> <p>This introduces additional risks:</p> <ul style="list-style-type: none"> - The new control environment may be less robust - Data may not be correctly transferred to the new system - Differences in the new system may make accounts preparation more challenging <p>The overall impact of the move to Business World is an increased risk of material misstatement in the annual accounts. This affects RVJB as Renfrewshire Council is the host authority and RVJB uses its accounting system.</p>	<p>Gaining an understanding of Business World by reviewing process maps and through discussions with key officers.</p> <p>Detailed testing of significant transactions processed during the change period and rolled forward balances.</p> <p>Review of account/cost code mapping from legacy system to Business World.</p> <p>The work outlined above will be completed as part of the Renfrewshire Council audit and the RVJB audit team will take assurances from that work.</p>	<p>As part of work on the Renfrewshire Council audit, a review of the process maps and the operation of the key systems was carried out. This was reported in the 2018/19 Management Report for Renfrewshire Council.</p> <p>Detailed testing of transactions processed during the change period and rolled forward balances did not identify any issues.</p> <p>A review of account code/cost code mapping from the legacy system to Business World did not identify any issues.</p> <p>Conclusion: audit work carried out did not identify any issues in the roll forward of balances and mapping of account codes/cost centres to the new system.</p>

Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>5 Financial sustainability</p> <p>The 2019/20 Revenue Estimates and finance reports to members throughout the year highlight uncertainties in future funding and increased pressures on available resources. It is likely that future savings will need to be made to achieve a breakeven position and maintain reserves at an appropriate level.</p>	<p>Review of budget monitoring reports during the year and comment on the financial position within the annual audit report.</p>	<p>A review of budget monitoring reports and the financial statements highlight that slightly lower than planned reserves were used in 2018/19. Further use of reserves would reduce the balance below 5% of turnover. As a result, efficiency savings will be required in future to ensure services are delivered within budget and to ensure an adequate level of reserves is maintained.</p> <p>Conclusion: RVJB continues to operate in a challenging financial climate, with difficulties in delivering existing services with the current levels of resources. Management continues to review future savings options.</p>

Appendix 3

Summary of national performance reports 2018/19

2018/19 Reports

Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Renfrewshire Valuation Joint Board

2018/19 Annual Audit Report – Proposed

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