Annual Audit Report

Dunbartonshire and Argyll and Bute Valuation Joint Board – year ended 31 March 2023

June 2024

Dunbartonshire and Argyll and Bute Valuation Joint Board

Forvis Mazars
100 Queen Street
Glasgow
G1 3DN

17 June 2024

Dear Board Members and Controller of Audit,

Annual Audit Report – Year ended 31 March 2023

We are pleased to present our Annual Audit Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions and findings from our considerations of the wider scope audit specified in the Code of Audit Practice 2021 namely, financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Annual Audit Plan, which we presented to you on 21 June 2023 to Dunbartonshire and Argyll and Bute Valuation Joint Board (the VJB).

We have reviewed our Annual Audit Plan and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of the VJB's team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07816354994.

Yours faithfully

T. Reid

Tom Reid (Audit Director)

Forvis Mazars LLP

Contents

Our reports are prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 18 May 2022 through which the Accounts Commission has appointed us as external auditor Dunbartonshire and Argyll and Bute Valuation Joint Board (the VJB) for financial years 2022/23 to 2026/27. We undertake our audit in accordance with Part VII of the Local Government (Scotland) Act 1973, as amended; and our responsibilities as set out within Audit Scotland's Code of Audit Practice 2021.

Reports and letters prepared by appointed auditors and addressed to the VJB are prepared for the sole use of the VJB and made available to Audit Scotland and the Accounts Commission, the Controller of Audit. We take no responsibility to any member or officer in their individual capacity or to any other third party.

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Executive Summary

1. Executive summary

Audit conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from Part VII of the Local Government (Scotland) Act 1973 and as outlined in our Annual Audit Plan, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Annual Audit Plan, which include:

- Management override of controls;
- Valuation of property plant and equipment;
- Valuation of the net defined benefit liability/surplus.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the VJB's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023.

At the time of preparing this report some matters remaining outstanding as outlined in section 2.

Conclusions from our audit testing and audit opinion

We have substantially concluded our audit in respect of the financial statements for the year ended 31 March 2023. Based on our audit work completed to date we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Matters on which we report by exception
We are required to report to you if, during the course of our audit, we have found that adequate accounting records have not been kept; the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

Governance Statement
We are required to report on whether the information given in the Annual Governance Statement is materially inconsistent with the financial statements; has not been properly prepared in accordance with the Delivering Good Governance in Local Government Framework 2016; or is materially misstated. We have no matters to report in respect of the Annual Governance Statement.

1. Executive summary (continued)

Conclusions from our audit testing and audit opinion (continued)

Other information

We are required to report on whether the other information (comprising of Management's Commentary, Statement of Responsibilities and the unaudited parts of the Remuneration Report), is materially inconsistent with the financial statements; has not been properly prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; or is materially misstated. No inconsistencies have been identified and we have issued an unmodified opinion in this respect.

1. Executive summary (continued)

Best Value and Wider Scope conclusions

As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in Audit Scotland's Code of Audit Practice 2021 and sits alongside Best Value requirements detailed the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of the VJB's performance of best value and community planning duties and make recommendations for improvement and, where appropriate, conclude on the VJB's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

It remains the responsibility of the VJB to ensure proper financial stewardship of public funds, it complies with relevant legislation, and establishes effective governance of their activities. The VJB is also responsible for ensuring that it establishes arrangements to secure continuous improvement in performance and, in making those arrangements, ensures resources are being used to improve strategic outcomes and demonstrate the economy, efficiency, and effectiveness throughout the use of its resources. These arrangements should be proportionate to the size and type of the body, appropriate to the nature of the body and the services and functions that it has been created to deliver.

Wider Scope

We anticipate having no risks in arrangements to report in relation to the financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes that the VJB has in place.

Further detail on our Wider Scope work is provided in section 7 of this report including any significant risks identified.

Best Value

We anticipate having no risks in arrangements to report in relation to the arrangements that the VJB has in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail on our Best Value work is provided in section 8 of this report including any significant risks identified.

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Status of the audit

2. Status of our audit

We have substantially completed our work and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to completion of outstanding work which is summarised below:

Audit quality control and completion Our audit work will undergo final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.	**Low**
Annual report and accounts and letter of representation We will complete our final review of the annual report and accounts upon receipt of the signed version of the accounts and letter of representation.	**Low**

Status

High - Likely to result in a material adjustment or a significant change to disclosures in the financial statements.

Medium - Potential to result in a material adjustment or a significant change to disclosures in the financial statements.

Low - Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.

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Audit Approach

3. Audit Approach

Changes to our audit approach

We provided details of our intended audit approach in our Annual Audit Plan in June 2023. We have not made any changes to our audit approach since we presented our Annual Audit Plan.

Materiality

Our provisional materiality at the planning stage of the audit was set at £64k using a benchmark of 2% of gross revenue expenditure at surplus/deficit level. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £66k using the same benchmark.

Use of experts

We used experts to assist us in obtaining sufficient appropriate audit evidence in relation to specific areas of the accounts. There have been no changes to our use of experts outlined in the Annual Audit Plan, with no issues arising we are required to report to you.

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Significant findings

4. Significant findings

Significant findings, including key areas of management judgement

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Annual Audit Plan;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 17 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit.

4. Significant findings

Management override of controls

Description of the risk

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk by:

- reviewing the key areas within the financial statements where management has used judgement and estimation techniques and consider whether there is evidence of unfair bias;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; and
- considering and testing any significant transactions outside the normal course of business or otherwise unusual.

Audit conclusion

Based on the results of testing to date there are no significant issues to bring to your attention.

4. Significant findings (continued)

Valuation of property, plant and equipment

Description of the risk

The VJB held land and buildings with a net book value of £0.638 million as at 31 March 2022. The VJB has adopted a rolling revaluation model with an external valuer carrying out valuations of land and buildings on a five-year cycle. This may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end fair value.

Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area.

How we addressed this risk

We planned to address this risk by:

• evaluating the design and implementation of any controls which mitigate the risk

• assessing the scope and terms of engagement with the Valuer;

• assessing the competence, skills and objectivity of the Valuer;

• assess how management use the Valuer’s report to value land and buildings included in the financial statements;

• test the accuracy of the data used in valuations;

• challenge the VJB and Valuer’s assumptions and judgements applied in the valuations;

• review valuation methodology used, including the appropriateness of the valuation basis; and

• consider the reasonableness of the valuation by comparing the valuation output with market intelligence.

Audit conclusion

Our work has not highlighted any material issues to bring to your attention. The VJB did not require an external valuation of its land and building in 2022/23 so we did not need to carry out our planned procedures over the competence, skills and objectivity and work of the Valuer.

4. Significant findings (continued)

Valuation of the net defined benefit liability surplus

Description of the management judgement

The VJB had a net pension asset of £0.507 million at 31 March 2022. Estimation of the net pension asset or liability depends on several complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.

How we addressed this risk

We will address this risk by:

• reviewing the controls that the VJB has in place over the information sent to the Scheme Actuary by the fund administrators

(Strathclyde Pension Fund).

• assessing the skill, competence and experience of the Fund's actuary;

• challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation;

• carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.

• obtaining assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary.

• testing the completeness of the membership data submitted by Strathclyde Pension Fund to the Scheme Actuary.

Audit conclusion

We held discussions with management and did additional audit work on assumptions over the value of pension assets recognised in the financial statements. Management subsequently adjusted the financial statements to reflect the computation of an asset ceiling by the actuary, see Section 6.

4. Significant findings (continued)

Qualitative aspects of the VJB's accounting practices

We have reviewed the VJB's accounting policies and disclosures and concluded they comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), appropriately tailored to the VJB's circumstances.
The unaudited annual report and accounts were received from the VJB on 30 June 2023 and were of a reasonable quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

First year audit procedures. Auditing standards require us to carry out additional specific procedures in the first year of an audit. These included: seeking professional clearance confirmations from the predecessor auditor, reviewing the predecessor auditor's working papers and reports and specific additional procedures over brought forward balances. As part of this work, we discussed controls in place for key information systems with management.

Valuation of net defined benefit surplus. We discussed the accounting treatment of the IAS 19 pension surplus with officers. The VJB recognised a net defined benefit asset in its unaudited annual accounts. Where bodies can access the economic benefit arising from the asset in terms of reduced contributions or a refund, they should recognise the net defined benefit as an asset. The net defined benefit asset recognised should be the surplus, adjusted for the effect of any asset ceiling. Following our discussions, officers obtained an asset ceiling calculation from the pension fund actuary and reduced the pension surplus to the asset ceiling of nil.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management.
The VJB did not meet the submission date of 30 September 2023, specified in the Local Authority Accounts (Scotland) Regulations 2014, for approval of its audited annual accounts. We have discussed the implications of this with Audit Scotland who confirmed there are no consequences for the VJB.

The main reasons the submission date was not met include:
• We had significant difficulties in recruiting auditors with relevant skills and experience. Whilst these have been resolved, the delay in recruitment significantly impacted on our ability to deliver the audit on a timely basis.

• Areas of the audit required further attention upon commencement of the fieldwork phase due to complexity/judgement.

We also needed to:
• undertake additional work in the first year of the audit to gain assurance over the opening balances in the financial statements and understand the VJB;

• address the implementation of International Standard on Auditing (ISA) 315 Revised. This required the audit team to spend additional time on the audit.

4. Significant findings (continued)

Wider responsibilities – statutory reporting

We are required to notify the Controller of Audit when circumstances indicate that a statutory report may be required.

• Section 102(1) of the 1973 Act allows us to prepare a report to the Commission about the VJB's accounts; matters that have arisen during the audit that should be brought to the attention of the public; or the performance of the VJB's duties relating to Best Value and community planning.

• Section 102(3) of the 1973 Act allows us to make a special report to the Commission if an item of account is contrary to law; there has been a failure on someone's part to bring into account a sum which ought to have been brought into account; a loss has been incurred or deficiency caused by the negligence or misconduct of a person, or by the failure of a body to carry out a duty imposed on them by any enactment; or a sum which ought to have been credited or debited to one account of a body has been credited or debited to another account and the body has not taken, or is not taking, steps to remedy the matter.

• Section 97A of the 1973 Act allows us to undertake or promote comparative and other studies to make and publish recommendations for the securing by local government bodies of Best Value, improving economy, efficiency and effectiveness in the provision of services by local government bodies and improving the financial or other management of local government bodies.

We have no indication that a statutory report may be required.

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Internal control conclusions

5. Internal control conclusions

Overview of engagement

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the VJB any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

No significant findings or recommendations in relation to internal controls have been noted as at the date of this report.

Priority ranking 1 (high)
Description
In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.
Number of issues 0

Priority ranking 2 (medium)
Description
In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.
Number of issues 0

Priority ranking 3 (low)
Description
In our view, internal control should be strengthened in these additional areas when practicable.
Number of issues 0

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Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £2k.

Unadjusted misstatements

None identified.

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Board should be made aware of.

Details of adjustment	CIES	CIES	Balance Sheet	Balance Sheet	Description
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)	
Pension reserve			8,202		Being adjustment to defined pension asset resulting from asset ceiling calculation.
Pension asset				8,202	
Remeasurement of the net defined benefit liability/(assets)	8,202				
Movement in reserve statement		8,202			
Short term creditors			3		Being adjustment for audit fee rebate.
Supplies and services (Audit fee)		3			
Aggregate effect of adjusted misstatements	**8,202**	**8,205**	**8,205**	**8,202**	

6. Summary of misstatements (continued)

Disclosure misstatements

We identified the following adjustments during our audit that have been corrected by management:

Annual Governance Statement:- Amendments to ensure compliance with the CIPFA/SOLACE guidance : Delivering Good Governance in Local Government Framework (2016).

▪ Including reference on whether counter fraud and anti-corruption arrangements are in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption.

▪ Including reference on whether assurance arrangements conform with the CIPFA Statement on the Role of the Head of Internal Audit (2010).

Critical judgements and estimation uncertainties:-

- Inclusion of a note to the annual accounts disclosing assumptions made about future and other major sources of estimation uncertainty.

Defined Benefit Pension Scheme:-

▪ Amendments to the VJB's share of pension fund assets disclosures to reflect misstatements identified and reported by the auditor of Strathclyde Pension Fund. These misstatements do not impact on the pension asset ceiling calculation referred to on pages 16 and 17 which reduced the VJB's pension surplus to nil.

▪ Additional narrative disclosures explaining how the VJB has applied the pension asset ceiling in accordance with IFRIC 14.

There were also adjustments to the annual report and accounts for other minor disclosure, consistency or presentational matters.

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Wider scope

7. Commentary on Wider Scope

Overall Summary

7. Commentary on Wider Scope

Wider scope summary

As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021 and sits alongside Best Value requirements detailed the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of the VJB's performance of Best Value and community planning duties and make recommendations for improvement and, where appropriate, conclude on the VJB's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

The Code of Audit Practice permits an alternative audit approach where an audited body is considered less complex due its size and limited financial activity. In the Annual Audit Plan, we documented our judgement that the VJB is a less complex body. We have reviewed this assessment and confirmed that it remains appropriate. We therefore restricted our wider scope work to:

- a review of the Annual Governance Statement
- concluding on the financial sustainability of the VJB and the services that it delivers in the medium to longer term.

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
Financial sustainability	27	No	No	No
Annual Governance Statement	29	No	No	No

7. Commentary on Wider Scope

Financial sustainability

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.

7. Financial sustainability

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial planning	The VJB recorded an in-year deficit of £0.071 million for 2022/23. The VJB's prudential reserves policy is to retain reserves at 2% of net expenditure or £0.100 million, whichever is higher. At 31 March 2023 the VJB held total usable reserves of £0.890 million. The VJB approved an updated long term financial strategy in March 2023. The purpose of the strategy is to provide the VJB with early sight of financial and other pressures to allow it to better plan for longer term financial issues. The financial strategy includes a sensitivity analysis on the main areas of financial pressure for 2023/24, 2024/25 and 2025/26 using assumptions based on best case, worst case and mid-range scenarios. The VJB has identified the following budget gaps under the mid-range projection: • 2023/24 - £0.432 million • 2024/25 - £0.591 million • 2025/26 - £0.877 million. The VJB recognises it will have to engage with the constituent authorities to bridge these funding gaps. It has also earmarked £0.432 million of useable reserves to balance the 2023/24 balance.	The VJB has effective financial planning arrangements in place, including a long term financial strategy. It has identified significant funding gaps in the short to medium term which it plans to address through use of reserves and funding discussions with its constituent authorities.	No significant issues identified.

7. Commentary on Wider Scope

Annual Governance Statement

Annual Governance Statement is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

7. Annual Governance Statement

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Annual Governance Statement	We confirmed that the Annual Governance Statement: • is consistent with the financial statements; • prepared in accordance with the CIPFA/SOLACE guidance : Delivering Good Governance in Local Government Framework (2016); • is consistent with our knowledge obtained through the audit; • does not contain any misleading information.	The VJB has amended the Annual Governance Statement to ensure compliance with the CIPFA/SOLACE guidance : Delivering Good Governance in Local Government Framework (2016).	No significant issues identified.

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Best Value

8. Best Value

Best Value summary

Under the Code of Audit Practice, the audit of Best Value is fully integrated within our annual audit work. We are required to report on how the VJB demonstrates and reports that it has Best Value arrangements in place, to secure continuous improvement.

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions::

Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
Best Value	33	No	No	No

8. Best Value (continued)

Overall commentary on the Best Value reporting criteria

The VJB's arrangements for securing continuous improvement include:

- Reporting Valuation Roll and council tax key performance information. This information is included in the annual Public Performance Report published on the VJB's website.

- Reviewing the effectiveness of its governance framework and system of internal control on an annual basis and making improvements to controls, governance and risk management.

- Implementing internal audit recommendations.

- Seeking customer feedback and measuring customer satisfaction.

- Operating a complaints procedure.

The VJB has appropriate Best Value arrangements in place to secure continuous improvement.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

E: Wider scope and Best Value ratings

Appendix A: Draft management representation letter

Tom Reid

Forvis Mazars

100 Queen Street

Glasgow

G1 3DN

XX June 2024

Dear Tom

Dunbartonshire and Argyll and Bute Valuation Joint Board - Audit for the Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Dunbartonshire and Argyll and Bute Valuation Joint Board (the VJB) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

Appendix A: Draft management representation letter (continued)

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the VJB you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Treasurer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions undertaken by the VJB have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the VJB's financial position, financial performance and cash flows.

Appendix A: Draft management representation letter (continued)

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the VJB in making the accounting estimates, including those measured at fair value are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

• information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and

• the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the VJB have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

Laws and regulations

I confirm that I have disclosed to you all those events of which I are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Treasurer for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the VJB involving
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the VJB's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I have disclosed to you the identity of the VJB’s related parties and all related party relationships and transactions of which I are aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter (continued)

Ultimate parent company

I confirm that the ultimate parent company for Dunbartonshire and Argyll and Bute Valuation Joint Board is the Scottish Government.

Other Matters

I confirm in relation to the following matters that:

• COVID-19 – I have assessed the continued impact of the COVID-19 Virus pandemic on the VJB, including the impact of mitigation measures and uncertainties, and am satisfied that the financial statements and supporting notes fairly reflect that assessment.

• Ukraine – I confirm that I have carried out an assessment of the potential impact of the continued conflict in Ukraine on the VJB and there is no significant impact on the VJB's operations from restrictions or sanctions in place.

• I confirm that I have assessed the impact on the VJB of the on-going Global Banking challenges, in particular whether there is any impact on the VJB's ability to continue as a going concern, and on the post balance sheet events disclosures.

Going concern

To the best of my knowledge there is nothing to indicate that the VJB will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Performance related allocations

I confirm that I am not aware of any reason why the VJB's funding allocation limits would be changed.

Appendix A: Draft management representation letter (continued)

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code), require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Annual Governance Statement

I am satisfied that the Annual Governance Statement fairly reflects the VJB's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the Annual Governance Statement.

Management Commentary

The disclosures within the Management Commentary and the Remuneration Report fairly reflect my understanding of the VJB's financial and operating performance over the period covered by the financial statements.

Yours faithfully

Laurence Slavin

Treasurer

Independent auditor's report to the members of Dunbartonshire and Argyll and Bute Valuation Joint Board and the Accounts Commission

Report on the audit of the financial statements

Opinion on the financial statements

We certify that we have audited the financial statements in the annual accounts of Dunbartonshire and Argyll and Bute Valuation Joint Board (the body) for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the body as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Appendix B: Draft audit report (continued)

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Appendix B: Draft audit report (continued)

Responsibilities of the Treasurer and Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements, that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing each year the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

The Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the body;
- inquiring of the Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Treasurer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

Appendix B: Draft audit report (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Appendix B: Draft audit report (continued)

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

• the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

• adequate accounting records have not been kept; or

• the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or

• we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Appendix B: Draft audit report (continued)

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

Tom Reid (Audit Director)

For and on behalf of Forvis Mazars LLP

Forvis Mazars LLP

100 Queen Street

Glasgow

G1 3DN

[Insert date]

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Annual Audit Plan and therefore we remain independent..

Appendix C: Confirmation of our independence (continued)

Fees for work as the VJB's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the VJB on 21 June 2023. We were appointed as auditors for the VJB in the 2022/23 financial year therefore no comparatives have been provided in the below table. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23 fees
Auditor remuneration	£19,760
Pooled costs	£0
Contribution to PABV costs	£0
Audit support costs	£750
Sectoral cap adjustment	(£11,720)
Additional fees in respect of XYZ (e.g. additional work on PPE valuation)	(£565)
Total fees	**£8,225**

Fees for other work

We confirm that we have not undertaken any non-audit services for the VJB in the year.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Treasurer that the VJB will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications (continued)

	Other communication	Response
	Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
	Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition, we have assessed the adequacy of the VJB's arrangements for preventing and detecting fraud or other irregularities as part of the wider scope audit and concluded that they are sufficiently designed and implemented. We will obtain written representations from management, and where appropriate Those Charged With Governance, confirming that: a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others .

Appendix D: Other communications (continued)

	Other communication	Response
	National Fraud Initiative	The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland and overseen by the UK’s Cabinet Office, designed to prevent and detect fraud. The NFI uses data analytics to compare information held on individual by different public bodies to highlight the existence of fraud or error. The VJB does not directly participate in the NFI exercise.

Appendix E: Wider scope and Best Value ratings

We need to gather sufficient evidence to support our commentary on the VJB's arrangements and to identify and report on any risks. We will carry out more detailed work where we identify significant risks. Where significant risks are identified we will report these to the VJB and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

We have assigned priority rankings to each of the risks identified to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. The table below describes the meaning behind each rating that we have awarded to each wider scope area based on the work we have performed.

Rating	Description
Level 1	The identified risk and/or significant deficiency is critical to the business processes or the achievement of business strategic objectives. There is potential for financial loss, damage to reputation or loss of information. The recommendation should be taken into consideration by management immediately.
Level 2	The identified risk and/or significant deficiency may impact on individual objectives or business processes. The audited body should implement the recommendation to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
Level 3	The identified risk and/or significant deficiency is an area for improvement or less significant. In our view, the audited body should action the recommendation, but management do not need to prioritise.

Contact

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