Renfrewshire Valuation Joint Board

2022/23 Annual Audit Report to the Board and the Controller of Audit

September 2023

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Key messages

This report concludes our audit of Renfrewshire Valuation Joint Board (the "Board") for the year ended 31 March 2023. This section summarises the key findings and conclusions from our audit.

Financial statements audit

Audit opinion	The annual accounts were approved by the Board on 15 September 2023. We report unqualified opinions within our independent auditor's report.
Key audit findings	The Board had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers. We have obtained adequate evidence in relation to the key audit risks identified in our audit plan. The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Audit adjustments	The Board has updated the financial statements for all the potential audit adjustments identified during the audit process. We also identified a small number of disclosure and presentational adjustments during our audit, which have been reflect in the final set of financial statements.

Accounting systems and internal controls	We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the Board's processes and internal controls relating to the financial reporting process. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. We consider the control environment within the Board to be satisfactory.

Wider scope and Best Value audit

	Auditor judgement
Financial Sustainability Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services.	Renfrewshire Valuation Joint Board's revised revenue budget for 2023/24 and indicative budget estimates for the subsequent two years (to 2025/26) show a balanced financial position for the full three years, utilising uncommitted reserves from 2023/24 onwards. The proposed overall 2023/24 requisition level for member authorities has been retained at the 2022/23 level of £2,342,180 in recognition of the local government funding environment. This budget also incorporates draft requisition increases of 2% for 2024/25 and 2025/26; these are indicative only and will be kept under review over the next two years. As increases at this level are significantly above the movement in the local government settlement, they are recognised as being challenging for councils to fund. Renfrewshire Valuation Joint Board's financial plans are subject to ongoing review and development. The application of reserves to support service delivery offers a potential short-term solution for existing funding gaps identified between 2023/24 to 2025/26. However, it does not achieve a sustainable financial plan to address the potential future funding gaps from 2026/27.

	The development of future financial plans, on a timely basis and aligned to the Strategic Service Plan, is critical to Renfrewshire Valuation Joint Board demonstrating and achieving financial sustainability. Revenue Estimates for 2024/25 to 2026/27 will be revised in February 2024.

Annual Governance Statement

We are content that the Annual Governance Statement reflects the position within Renfrewshire Valuation Joint Board and overall, we found the organisation to have appropriate governance arrangements. Our audit has not identified any issues or non-compliance from the work performed on the Annual Governance Statement.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope and best value areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.

- There is a fundamental absence or failure of arrangements
- There is no evidence to support necessary improvement
- Substantial unmitigated risks affect achievement of corporate objectives.

- Arrangements are inadequate or ineffective
- Pace and depth of improvement is slow
- Significant unmitigated risks affect achievement of corporate objectives

- No major weaknesses in arrangements but scope for improvement exists
- Pace and depth of improvement are adequate
- Risks exist to achievement of operational objectives

- Effective and appropriate arrangements are in place
- Pace and depth of improvement are effective
- Risks to achievement of objectives are managed.

Introduction

The annual audit comprises the audit of the financial statements and the wider-scope and Best Value audit responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Board at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

Responsibilities

The Board is responsible for preparing its annual accounts, including financial statements which show a true and fair view, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Annual accounts audit

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

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	We conduct our audit in accordance with applicable law and International Standards on Auditing. Our findings / conclusions to inform our opinion are set out in this section of our annual report.	The draft financial statements, management commentary, remuneration report and corporate governance statement were considered by the Board and approved on 26 May 2023. We have issued an unqualified audit opinion. We identified a number of non-trivial errors during our audit of the financial statements, as set out in Appendix 2. Management amended the financial statements for the errors identified. We received the draft annual accounts and supporting papers in line with our audit timetable and those draft accounts were of good quality. Further information and revisions were provided promptly where required. Our thanks go to the Finance team for their assistance with our work.

Opinion	Basis for opinion	Conclusions
Going concern basis of accounting	In the public sector, when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body. We assess whether there are plans to discontinue the Board's functions. Our wider scope audit work considers the financial sustainability of the Board.	Our understanding of the legislative framework and activities undertaken by the Board provides us with sufficient assurance that the services provided by the Board will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.
Opinions prescribed by the Accounts Commission: • Management Commentary • Corporate Governance Statement • Remuneration Report	We plan and perform audit procedures to gain assurance that the management commentary, corporate governance statement and the audited part of the remuneration report are prepared in accordance with: • statutory guidance issued under the Local Government in Scotland Act 2003 (management Commentary); • the Delivering Good Governance in Local Government: Framework (corporate governance statement); and • The Local Authority Accounts (Scotland)	We have concluded that: • the information given in the management commentary is consistent with the financial statements and has been prepared in accordance with relevant statutory guidance. • the information given in the corporate governance statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework. • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Opinion	Basis for opinion	Conclusions
	Regulations 2014 (remuneration report)	
Matters reported by exception	We are required to report on whether: • 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 no matters to report.

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Board in February 2023. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

At the planning stage, we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our anticipated opinion on the annual accounts is not modified with respect to any of the risks described below.

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
Significant risk description	Management of any entity is 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. Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits. This was considered to be a significant risk and Key Audit Matter for the audit. **Inherent risk of material misstatement:** Very High
How the scope of our audit responded to the significant risk	**Key judgement** There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.

Risk area	Management override of controls
	Audit procedures • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • Testing high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and appropriate approval in line with the Board's journals policy. • Gaining an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Key observations	We have not identified any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in non-pay expenditure
Significant risk description	As most public sector bodies are net expenditure bodies, the risk of fraud is also present in relation to expenditure. There is a risk that expenditure may be materially misstated in the financial statements. This was considered to be a significant risk and Key Audit Matter for the audit. **Inherent risk of material misstatement:** • Non-pay expenditure (occurrence / completeness): High • Accruals (existence / completeness): High
How the scope of our audit responded to the significant risk	**Key judgements** Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and expenditure around the year end. **Audit procedures** • Evaluating the significant non-pay expenditure streams and the design of the key controls in place over accounting for expenditure. • Consideration of the Board's key areas of expenditure and obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
Key observations	We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.

Key risk area	**Valuation of defined benefit pension asset (key accounting estimate)**
Significant risk description	An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate. **Inherent risk of material misstatement:** Defined benefit pension asset (valuation): High
How the scope of our audit responded to the significant risk	**Key judgements** A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability. **Audit procedures** • Review of the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. • Reviewing the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. • Agreeing the disclosures in the financial statements to information provided by the actuary. • Considering the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.
Key observations	We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.

Key risk area	Valuation of defined benefit pension asset (key accounting estimate)
	We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 ‘Audit Evidence’. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary. However, in accordance with the guidance issued on the recognition of the Pension Assets, an adjustment has been identified as detailed in Appendix 2.

Estimates and judgements

We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.

As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those were key to the overall financial statements. Consideration was given to pension assumptions, income and expenditure accruals, depreciation, amortisation and leases. Other than pension assumptions, we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and concluded that our assessment remained appropriate.

Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

Estimates and judgements	
Pensions Assumptions	**Auditor judgement: Balanced**
An actuarial estimate of the pension fund asset is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 ‘Audit Evidence’. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary. We reviewed the reasonableness of the assumptions and source data used in the calculation and the information in the actuarial report for completeness and accuracy against the published pension fund data. Our work included a meeting with the	

actuary to discuss, scrutinise and review the pensions assumption relevant to Renfrewshire Valuation Joint Board. Our findings and conclusions are included in the significant risk table above.

The Board has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Board and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Board and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality was £55,500. On receipt of the unaudited financial statements, we reassessed materiality and have increased this to £61,000 in proportion to the increase in Gross Expenditure for 2022/23 financial year. We consider that our updated assessment has remained appropriate throughout our audit.

	Materiality **£**
Overall materiality for the financial statements (100%)	61,000
Performance materiality (75%)	45,750
Trivial threshold (5%)	3,050

Materiality	Our assessment is made with reference to the Board's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance of the Board. Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2022/23 unaudited annual accounts. In performing our audit, we apply a lower level of materiality to the Remuneration Report. Our materiality was set at £5k. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our materiality levels set. We perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceeds overall materiality.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Audit differences

We identified a number of errors in the draft financial statements during our audit. These are set out in more detail in Appendix 2. Management agreed to amend the financial statements for all the errors we identified. The overall impact of the adjustments made on the financial statements was £5.202m.

We also identified a small number of disclosure and presentational adjustments during our audit which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Board. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

We did not identify any significant control weaknesses during our audit.

Follow up of prior year recommendations

We followed up on progress in implementing actions raised by the predecessor auditor in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

Other communications

Accounting policies, presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the Board.

The accounting policies, which are disclosed in the financial statements, are in line with the CIPFA LASAAC Code of Practice and are considered appropriate. The accounting policies used in preparing the financial statements are unchanged from the previous year.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately. Overall, we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Board. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the Board. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We requested written representations from management, and these have been shared with the Board alongside this report and are due to be approved and signed alongside the financial statements upon completion.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Confirmations from third parties

All requested third party confirmations have been received.

Wider Scope

Financial sustainability

	Auditor judgement
Financial Sustainability Financial sustainability looks forward to the medium and longer term to consider whether Renfrewshire Valuation Joint Board is planning effectively to continue to deliver its services.	Renfrewshire Valuation Joint Board's revised revenue budget for 2023/24 and indicative budget estimates for the subsequent two years (to 2025/26) show a balanced financial position for the full three years, utilising uncommitted reserves from 2023/24 onwards. The proposed overall 2023/24 requisition level for member authorities has been retained at the 2022/23 level of £2,342,180 in recognition of the local government funding environment. This budget also incorporates draft requisition increases of 2% for 2024/25 and 2025/26; these are indicative only and will be kept under review over the next two years. As increases at this level are significantly above the movement in the local government settlement, they are recognised as being challenging for councils to fund. Renfrewshire Valuation Joint Board's financial plans are subject to ongoing review and development. The application of reserves to support service delivery offers a potential short-term solution for existing funding gaps identified between 2023/24 to 2025/26. However, it does not achieve a sustainable financial plan to address the potential future funding gaps from 2026/27. The development of future financial plans, on a timely basis and aligned to the Strategic Service Plan, is critical to Renfrewshire Valuation Joint Board demonstrating and achieving financial sustainability. Revenue Estimates for 2024/25 to 2026/27 will be revised in February 2024.

Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Extract from External Audit Plan - Financial sustainability
In February 2023 the Board considered its revenue budget for 2023/24 and indicative budget estimates for the subsequent two years (to 2025/26). At the end of the current financial year the Board is estimating a total reserve of £812k which represents c28% of net expenditure or 35% of requisition funding in the year. Staff costs represent the key cost driver for the Board and are budgeted to increase by 3% over the forecast period. Local authorities' requisitions in 2023/24 will remain at 2022/23 levels and increase slightly in the two years that follow, representing a 4% cumulative increase over the three year period. To reduce the level of reserves to a more appropriate level and make up for the lower than inflation increases in the requisitions, the Board plans to utilise its reserves and decrease them by £293k over this period. This would leave a balance in reserves of £466k, which represents 15% of net expenditure as at March 2026. There is a level uncertainty in the above estimates due to: • •Indirect dependence on the Scottish Government annual allocation of funding to local authorities who in turn fund Board activities through requisitions. Funding levels from the Scottish Government beyond 2023/24 are uncertain and impacted by wider economic factors. • •Boards faces cost pressures, particularly in staff cost which represent 76% of gross expenditure. The most recent Bank of England's expectation is that the inflation will fall to 4% at the calendar year end although current levels remain high and around 7%. This increases the risk that staff costs may rise at a higher rate that current budget estimates. We note that the Board has savings of £51k planned in 2023/24 budget in relation to ICT development reprofiling, property cost reduction, staffing adjustments and other efficiencies. The Board's medium to longer term financial planning is therefore challenging due to wider economy environment and local government funding uncertainties. The Board is proactive at addressing these by considering its use of reserves and establishing a savings plan.

Our detailed findings on the Board's arrangements for achieving long term financial sustainability are set out below.

2022/23 revenue budget

The Comprehensive Income and Expenditure Statement for 2022/23 shows that Renfrewshire Valuation Joint Board spent £3.032 million on the delivery of services, resulting in an accounting deficit of £0.147 million.

The accounting deficit includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2022/23 Code), and which are subsequently adjusted to show their impact on reserves.

Taking account of these adjustments, Renfrewshire Valuation Joint Board reported a surplus of £0.175m, increasing revenue reserves to £0.847m.

At the outset (February 2022), the Board approved a balanced revenue budget. As at 31 March 2023 (financial year-end), net expenditure was £0.175m, comprising gross expenditure of £2.709m, less gross income of (£2.884m). There were only minor movements in the final variances to budget compared to the projected break-even position at Period 11.

The 2022/23 budget approved in February 2022 included a planned drawdown from reserves of £91,000. Based on the final outturn position, the need for this drawdown has been removed and instead a contribution to reserves has occurred.

Medium term financial plan

Renfrewshire Valuation Joint Board's revised revenue budget for 2023/24 and indicative budget estimates for the subsequent two years (to 2025/26) show a balanced financial position for the full three years, utilising uncommitted reserves from 2023/24 onwards.

	2023/24	2024/25	2025/26
	£'000	**£'000**	**£'000**
Gross Expenditure	2,959	3,011	3,066
Gross Income	(36)	(36)	(28)
Net Expenditure	**2,923**	**2,975**	**3,038**
Core Requisition	(2,342)	(2,389)	(2,436)
Barclay Requisition	(492)	(492)	(492)
Transfer to/(from) Reserves	(89)	(94)	(110)
Total Funding	**(2,923)**	**(2,975)**	**(3,038)**
Reserves Position			
Opening balance at 1 April	759	670	576
Use of reserves	(89)	(94)	(110)
Closing balance at 31 March	**670**	**576**	**466**
% of Operating Income	**22.92%**	**19.35%**	**15.34%**

Key assumptions in the 2023/24 budget and indicative financial plans include;

- A budget provision for pay inflation of 3% for 2023/24 has been included, as well as indicative estimates of 2.5% assumed for 2024/25 and 2025/26;
- Employee turnover is assumed at 4%, meaning that a net 96% of the total required employee cost is budgeted;
- Cost reductions of £51k have been identified;
- Non-pay pressures of £16k have been identified, predominantly for increased utility costs; and
- Legislative changes have been incorporated, resulting in a further reduction in net costs of £25k.

The proposed overall 2023/24 requisition level for member authorities has been retained at the 2022/23 level of £2,342,180 in recognition of the local government funding environment.

This budget also incorporates draft requisition increases of 2% for 2024/25 and 2025/26; these are indicative only and will be kept under review over the next two years. As increases at this level are significantly above the movement in the local government settlement, they are recognised as being challenging for councils to fund.

However, we note that despite those challenges identified above, total usable reserves at 31 March 2023 were £847k, which was higher than anticipated in the initial 2023/24 budget.

Renfrewshire Valuation Joint Board's financial plans are subject to ongoing review and development. The application of reserves to support service delivery offers a potential short-term solution for existing funding gaps identified between 2023/24 to 2025/26. However, it does not achieve a sustainable financial plan to address the potential future funding gaps from 2026/27.

The development of future financial plans, on a timely basis and aligned to the Strategic Service Plan, is critical to Renfrewshire Valuation Joint Board demonstrating and achieving financial sustainability. The Board is proactive at addressing its financial sustainability by considering its use of reserves and establishing a savings plan, and revised revenue estimates for the period 2024/25 to 2026/27 will be considered by the Board in February 2024.

Annual Governance Statement

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

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.

Appendices

Appendix 1: Responsibilities of the Board and the Auditor

Responsibilities of the Board

The Board is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Treasurer has been designated as that officer. The Treasurer is responsible for the preparation of the Board's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Area	The Board's responsibilities
Corporate governance	The Board is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.
Financial statements and related reports	The Board has responsibility for: • preparing financial statements which give a true and fair view of the financial position of the Board and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. The management commentary should be fair, balanced and understandable and also address the longer-term financial sustainability of the Board. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the Board and its financial performance, including providing adequate disclosures in accordance with the applicable financial

Area	The Board’s responsibilities
	reporting framework. The relevant information should be communicated clearly and concisely. The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Board is also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	The Board is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.
Financial position	The Board is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to: • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best Value	The Board has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The 2021 Code came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

We have concluded that Renfrewshire Valuation Joint Board is a less complex public body for 2022/23.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Board and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

However, for less complex bodies the wider scope and best value work is limited to:

- a review of the Annual Governance Statement; and
- concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term and; for local government bodies, reporting on the arrangements for securing Best Value.

Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of Renfrewshire Valuation Joint Board's best value arrangements has been integrated into our audit approach, including our work on the wider scope areas as set out within this report.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an Audit Quality Framework.

The most recent audit quality report can be found at https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223

Independence

The Ethical Standards and ISA (UK) 260 require us to give the Board and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we have no matters to bring to the Board's attention.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Our period of total uninterrupted appointment as at the end of 31 March 2023 was one year.

Audit and non-audit services

The total fees charged to the entity for the provision of services in 2022/23 were as follows. Prior year charges for the predecessor auditor are also shown for comparative purposes:

	Current year	**Prior year**
Auditor remuneration	£21,500 (base is £20,360)	£6,760
Pooled costs	-	£700
Audit support costs	£770	£360
Sectoral cap adjustment	(£12,330)	-
Total audit fee	**£9,940**	**£7,820**

The FRC's Ethical Standard stipulates that where an auditor undertakes non-audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have not provided any non-audit services to Renfrewshire Valuation Joint Board.

Appendix 2: Audit differences identified during the audit

We are required to inform the Board of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. The non-trivial misstatement discovered during the course of our audit which have been adjusted for by management are summarised in the table below.

Adjusted misstatements

Details of the item corrected following discussions with management is as below.

No	Detail	Assets Dr / (Cr) £'000	Liabilities Dr / (Cr) £'000	Reserves Dr / (Cr) £'000	CIES Dr / (Cr) £'000
1.	This year's IAS 19 report for the Board with the actuarial results indicated a pension surplus (or pension asset) of £5,202k. This is a significant difference to prior year's pension liability of £335k and was mainly driven by a significant increase in discount rate assumption between the years. The discount rate as at 31 March 2023 has been 4.75% and decreasing the future obligations substantially, which combined with no significant movement in the value of investment assets resulted in a pension surplus. However, the accounting standards require the Board to review the pension surplus and only recognise it to the lower of the surplus or an 'asset ceiling'. A detailed technical guidance	(5,202)			5,202

No	Detail	Assets Dr / (Cr) £'000	Liabilities Dr / (Cr) £'000	Reserves Dr / (Cr) £'000	CIES Dr / (Cr) £'000
	on how to calculate the pension asset ceiling had been issued by Audit Scotland early in July 2023. Following that, we asked the management to calculate the asset ceiling and assess the surplus against it. This resulted in a material adjustment to the accounts and limiting the asset to the asset ceiling value to a nil value, with a £5,202k audit adjustment processed in the accounts.				
2.	Adjustment to reflect the actual figures received from SPFO.	(136)	136		
	Net impact on general fund reserve				(5,338)
	Net impact on net assets				5,338

Unadjusted misstatements

We identified no unadjusted misstatements during our audit.

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Board.

We identified a small number of reclassification adjustments and some minor presentational issues in the Board's accounts, and these have all been amended by management. Details of all disclosure changes amended by management which following discussions are as below.

No	Detail
1.	Minor presentational and disclosure issues The audit team have raised minor and presentational issues with management and all recommended changes have been updated.
2.	Pension Asset Narrative Renfrewshire Valuation Joint Board has updated its pension disclosures to account for the change in pension asset values as detailed in adjustments table above.
3.	Creditors Reclassification Reclassification adjustment of £25k to reflect incorrect posting against Non-trade Payables, which should have been classified as Trade Payables. Nil impact on the balance sheet, merely a disclosure change.
4.	Pension Right Adjustment Pension Rights were estimated within the Remuneration Report in the unaudited accounts because the actual figures had not been received from SPFO at the time of writing. These have since been received and updated in the Audited Accounts.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements reported in the prior year audit.

Appendix 3: Follow up of prior year recommendations

We have followed up on the progress the Board has made in implementing the recommendations raised by the previous auditor last year, which were reported as either new or ongoing.

We note both recommendations are resolved.

1.	Related parties
Recommendation	There was one audit finding in relation to related parties. Renfrewshire Valuation Joint Board's related parties note was reviewed against the requirements of IAS 24 and Audit Scotland's Good Practice Note. Renfrewshire Valuation Joint Board's process for identifying related parties could be further improved by management by: • conducting a review of the register of interest of each Board member against a year-end transaction listing to identify any related party disclosures; • consideration of the interests of close persons or family members of those related to Renfrewshire Valuation Joint Board in the identification of related parties; and • adding a link in the note to signpost to Board members Register of Interests.
Resolved	We note that the Board have updated the disclosure considerably following this recommendation, and deem this matter resolved.

2.	Pension Reconciliation
Recommendation	There was another finding in relation to a difference in the employer contribution figure recognised in RVJB's ledger and the Hymans Robertson's IAS 19 report. Management should perform a reconciliation for pension contributions at year-end that identifies reconciling differences in order to gain sufficient assurance over the pension figures disclosed per the Hymans Robertson's report/accounts.
Resolved	We have concluded our work around Pensions and are comfortable that the employer's contribution figure per the ledger versus per the IAS 19 report is not materially misstated. We deem this recommendation to be resolved.