

Highland and Western Isles Valuation Joint Board

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Highland and Western Isles Valuation Joint Board and the
Controller of Audit
September 2024

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Key messages

2023/24 annual accounts

- 1 Audit opinions on the Highland and Western Isles Valuation Joint Board are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 The management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Wider scope

- 3 Highland and Western Isles Valuation Joint Board (the Board) has effective and appropriate arrangements in place to continue to deliver its services.
- 4 The Board has prepared a medium-term financial plan up to 2026/27.
- 5 The Board has appropriate arrangements in place to secure Best Value.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of the Highland and Western Isles Valuation Joint Board (the Board). The scope of the audit was set out in an Annual Audit Plan presented at the February 2024 meeting of the Board. This Annual Audit Report comprises:

- significant matters arising from an audit of the Board's annual accounts;
- conclusions on wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes conclusions on financial sustainability and Best Value.

2. This report is addressed to the Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. Esther Scoburgh has been appointed by the Accounts Commission as auditor of the Highland and Western Isles Valuation Joint Board for the period from 2022/23 until 2026/27.

4. We would like to thank all the members and staff, particularly those in finance, for their cooperation and assistance this year and we look forward to working together constructively over the remainder of the audit appointment.

Responsibilities and reporting

5. The Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Board is also responsible for compliance with legislation and, putting arrangements in place for governance and propriety.

6. Our responsibilities as the independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice and supplementary guidance and International Standards on Auditing in the UK.

7. The weaknesses or risks identified in this report are only those which have come to our attention during the normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues raised and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. The audit team comply with the Financial Reporting Council's Ethical Standard. We can also confirm that the audit team have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £9,330 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. The annual audit adds value to the Board by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations; and
- sharing intelligence and good practice identified.

Part 1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Audit opinions on the annual accounts are unmodified.

The management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Audit opinions on the annual accounts are unmodified

11. The Board approved the annual accounts for Highland and Western Isles Valuation Joint Board for the year ended 31 March 2024 on 23 September 2024. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed on receipt of the annual accounts as £68,000

12. Auditors apply the concept of materiality to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality (2% of gross expenditure in unaudited accounts)	£68,000
Performance materiality (75% of overall materiality)	£51,000
Reporting threshold (2% of overall materiality)	£3,000

Source: Audit Scotland

14. The overall materiality threshold was set with reference to gross expenditure, which was judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality based on our understanding of the entity and observations of the Board to date, the nature and extent of misstatements identified in previous years combined with our expectations in relation to misstatements in the current period.

16. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under ISA (UK) 260, we communicate significant findings from the audit to the Board including our view about the qualitative aspects of the Board's accounting practices.

18. The Code of Audit Practice also requires us to highlight key audit matters, which are defined in ISA (UK) 701 as those matters judged to be of most significance.

19. There are no issues to report from the audit.

Audit work responded to the risks of material misstatement identified in the annual accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement to the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Identified significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Make enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at year-end and post-closing entries and focus on significant risk areas.</p> <p>Consider the need to test journal entries and other adjustments during the period.</p> <p>Evaluate transactions outside the normal course of business.</p> <p>Assess the adequacy of controls in place for identifying and disclosing related party transactions and relationship in the financial statements.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted</p>	<p>SATISFACTORY</p> <p>No issues were identified that indicated misstatements due to fraud caused by management override of controls.</p> <p>Testing focused on journal entries around the year-end that are open to management override of controls.</p> <p>Officers involved in financial reporting processes did not identify any unusual activity.</p> <p>Audit testing of income and expenditure transactions confirmed they were recorded in the correct financial year.</p> <p>Methodologies and assumptions employed by management in preparing account estimates did not significantly vary from the prior year and were consistently applied.</p> <p>Our testing of accruals and prepayments did not identify any errors and we found no significant transactions out with the course of normal business.</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	

21. In addition, we identified “areas of audit focus” in our 2023/24 Annual Audit Plan where we considered there to be other risks of material misstatement to the financial statements. The areas of specific audit focus were:

- Valuation of IAS19 pension asset:** This is an area of audit focus due to the material value and significant, complex actuarial assumptions and estimates used in the calculation of the pension asset based on life expectancy and CPI growth.

22. We kept these areas under review throughout our audit. We considered the reasonableness of actuarial estimates on material elements of the valuation. We engaged PwC LLP to review actuarial assumptions across the Scottish Local Government Pension Scheme including the accuracy of the information provided to the actuary (Hymans Robertson) by the Board. There are no other matters which we need to bring to your attention.

Late receipt of Land Tribunal Scotland invoices

23. In prior years, the Board have included a provision in their annual accounts for the Land Tribunal Scotland (LTS) in relation to referral fees for Covid-19 appeals. During 2023/24 and after discussions with LTS, the Board were assured there were no remaining outstanding fees. As a result the provision was appropriately reversed from the Board’s accounts. However, on 2 September 2024 the Board received confirmation from LTS of final outstanding fees of £51,550.

24. The late notification was due to an administration error at LTS in how cases were recorded in LTS’ case management system. The outstanding fees were confirmed and agreed by the Assessor as accurate and have been adjusted for and correctly included within the 2023/24 audited accounts.

There were no identified misstatements within the financial statements

25. The audit identified no misstatements within the financial statements.

The unaudited annual accounts were received in line with the agreed timetable

26. The unaudited annual accounts were received in line with the agreed audit timetable on 28 June 2024. There were no objections to the accounts.

Good progress was made on prior year recommendations

27. The Board has made substantial progress in implementing the agreed prior year audit recommendation as further detailed in [Appendix 1](#).

Part 2. Wider scope

For less complex bodies, wider scope audit work considers the financial sustainability of the body and the services that it delivers over the medium to longer-term, and the arrangements for securing Best Value.

Conclusion

The Board has effective and appropriate arrangements in place to continue to deliver its services.

The Board has a medium-term financial plan up to 2026/27.

The Board has appropriate arrangements in place to secure Best Value.

The Board has a medium-term financial plan

28. Highland and Western Isles Valuation Joint Board financial plan to 2026/27 was approved by the Board on 9 February 2024. The Board's forecast includes increased pressures following the implementation of the Elections Act 2022. The forecasts include savings alongside inflationary costs and pay growth.

29. The Board has successfully recruited new members of staff thus filling vacancies and are now operating with a full senior management structure.

30. The budget proposal takes into account the pressures highlighted in the financial plan alongside the additional funding from the Scottish Government to allow preparation for three yearly valuations and other Barclay Reforms. There is always a risk that recruitment issues could compromise the level of service, however the proposed budget makes reasonable provision for the Assessor to carry out his statutory duties.

The 2023/24 budget was underspent by £0.303 million

31. The Board's net operating expenditure for 2023/24 was £3.3 million compared to a budgeted net operating expenditure of £3.6 million, an underspend of £0.303 million. The majority of this underspend relates to staff vacancies (£0.134 million) and administration costs in relation to Lands Tribunal for Scotland (LTS) fees (£0.223 million). There was additional income received in year of (£0.053 million) made up of grants and interest on revenue balances.

Reserves remained at £0.182 million with £0.257 million to be returned to constituent authorities

32. The Board maintains a general fund balance to support medium-term financial planning and to address any unforeseen costs. Members agreed that a maximum of 3% of core cost budget should be added in any one year as long as the cumulative uncommitted balance does not exceed 5% of the core costs budget in that year.

33. Of the £0.303 million surplus, £0.001 million was used from the general fund with the remainder being returned to the constituent authorities.

No planned use of reserves to balance future budgets

34. The Board approved its 2024/25 budget in February 2024. The budget is split between core costs (£3.3 million) and NDR reform costs (£0.371 million) which is funded by the Scottish Government through the local government settlement to constituent authorities. Members agreed to fund the £3.7 million budget with funds from constituent authorities.

35. The budget for 2024/25 has increased by £102,859 (2.9%) due to no planned use of reserves and an increase in NDR costs of £13,000 (3.6%).

36. The 2024/25 budget includes plans for:

- an increase in staff costs of £144,921 (6.6%);
- a reduction in rent of £18,542 (10.6%); and
- a reduction in other administrative costs of £36,729 (30%).

37. The budget also includes £96,396 of efficiency savings, which includes reductions in postage, rent, printing costs and mileage. Despite this due to an anticipated pay award of 3% the overall budget was increased.

The Board has appropriate arrangements in place for securing Best Value

38. The aim of the Board is to “*discharge certain statutory functions and responsibilities in terms of the Valuations Act relating to the preparation, publishing and maintenance of both the Valuation Roll and Council Tax List.*”

39. The Board demonstrate this by producing key performance indicators (KPIs) which have been agreed at local and national levels and are reported in the public domain.

40. In 2022 The Electoral Commission published new performance standards however the Electoral Register Officer (ERO) have yet to meet with the Commission to discuss the performance standards. This would allow the ERO to set local targets and baseline their performance.

41. Going forward the Board will look to provide more detail on how they are meeting these performance standards. This will include narrative, figures and statistics within their annual accounts from 2024/25 onwards.

Recommendation 1

The Board will provide more narrative and statistics on how they are meeting the performance standards outlined by the Electoral Commission.

Community engagement

42. The Board has focused on engaging with those around voting age and especially students to encourage them to sign up to the electoral register.

43. Staff from the Board attended the Highland Youth Parliament Conference to encourage voters to register. Attendees were able to check with ERO staff if they were registered to vote. Those who were not, could either directly register at the conference or were given information on how to register via the Government's Digital Service.

44. ERO staff attended events at the University of Highlands and Islands (UHI) during Fresher's week. This was to provide information on registering to vote and to also provide information on employment with the Board as an electoral canvasser.

Forward planning

45. The Board has reported that the lease on the Inverness Office ends in May 2025. Officers are already starting to look at either extending this lease or potentially looking at new accommodation. As part of this they are considering the hybrid working approach as offices will need to be adapted to accommodate hot desking, meeting spaces and interview rooms. The move to a digitised workplace has resulted in additional floor space being freed up and this will help with the reconfiguration required.

46. To address recruitment challenges the Board are looking at utilising digital application forms via MyJobScotland. Currently the Board advertise vacancies on their website with a digital form requiring to be manually completed and submitted. By being able to access the MyJobScotland platform, the Board will be able to potentially reach a wider audience to promote vacancies and allow applicants to submit forms digitally.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action / timing
<p>1. Reporting on Performance Standards</p> <p>The Electoral Commission published new performance standards with the Board who are due to meet them to discuss and agree.</p> <p>The Board will look to add more detail on how they are achieving these standards by way of narrative, figures and statistics within their annual accounts.</p> <p>Risk: The Board fail to report on how they are performing against the Commissions new performance standards.</p>	<p>The Board should provide more narrative, figures and statistics on how they are performing against the Electoral Commissions new performance standards (refer paragraphs 38-41).</p>	<p>Agreed action: Display greater detail of performance within annual accounts.</p> <p>Responsible officer: Assessor and ERO</p> <p>Agreed date: 31 March 2025</p>

Follow-up of prior year (2022/23) recommendations

Issue/risk	Recommendation and agreed action	Update
<p>Internal Audit</p> <p>There have been no 2022/23 Internal Audit reports or plans submitted to the Board to enable effectively scrutiny.</p> <p>Risk: The Board is unaware of Internal Audit work being undertaken and not aware of any recommendations being made following this work. As a consequence the Board</p>	<p>The Internal Audit annual plan and subsequent report / outputs should be presented to the Board in a timely fashion to ensure members are able to carry out their scrutiny function effectively.</p>	<p>Implemented</p> <p>At the June 2024 meeting, the Board were presented with three IA reports:</p> <ul style="list-style-type: none"> 2023/24 Internal Audit Annual report reasonable assurances provided around key systems including payroll with no issues noted.

Issue/risk	Recommendation and agreed action	Update
may not be able to discharge their duty and carry out their governance role effectively.		<ul style="list-style-type: none">• 2023/24 Information Management report reasonable assurance provided with no high level recommendations.• 2024/25 Internal Audit Annual Plan. <p>This ensured that the members could carry out their governance role effectively.</p>

Highland and Western Isles Valuation Joint Board

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



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