

# Grampian Valuation Joint Board

Annual Audit Plan 2020/21



 AUDIT SCOTLAND

Prepared for by Grampian Valuation Joint Board

05 February 2021

## Who we are

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

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



## About us

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

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

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

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# Risks and planned work

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## Introduction

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.

## Impact of COVID-19

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

3. The public health crisis caused by the coronavirus disease 2019 (COVID-19) pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses, and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. In Audit Scotland we continue to manage the impacts of COVID-19 on the audit process. We expect the 2020/21 audit to be more challenging than last year as our current year's resources have been reduced by the extended 2019/20 reporting timescales and the current lockdown restrictions. The well-being of audit teams and the delivery of high-quality audits remain paramount. Our aim is to maintain a pragmatic and flexible approach to enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, an addendum to this annual audit plan may be necessary.

## Adding value

5. We aim to add value to the Grampian Valuation Joint Board (the Joint Board) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Joint Board promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

6. Based on our discussions with staff, attendance at committee meetings and review of supporting information we have identified the following significant risks for the Joint Board. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

### 2020/21 significant audit risks

Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p><b>2 Estimates and judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the pension liability and non-current asset values included in the annual accounts. This subjectivity represents an increased risk of misstatement in the accounts which is heightened by the impact of the COVID-19 pandemic on property markets.</p>	<p>Use of professional actuaries appointed by the Pension Fund to value pension adjustments required by IAS19.</p> <p>Professionally qualified valuers prepare non-current asset valuations.</p>	<p>Assessment of the scope, independence and competence of the professionals engaged in providing estimates, and the appropriateness of the actuarial assumptions.</p> <p>Focussed testing of IAS19 disclosures and non-current asset valuations.</p> <p>Review of the reports from the valuer and actuary for references to the impact of COVID-19 on property markets and their valuations.</p>
<b>Wider dimension risks</b>		
<p><b>3 Financial sustainability</b></p> <p>The Joint Board has yet to approve a medium to longer term financial plan and used £0.13 million (58%) of its general fund reserve to balance its budget for 2020/21. In March 2020, members agreed to set a minimum level to be held in its general fund reserve of 2.5% of annual net expenditure.</p> <p>There is a risk that the Joint Board is unable to agree and implement a sustainable financial plan before it reduces its general fund reserves to the agreed minimum.</p>	<p>Preparation of three year financial plan for 2021 to 2024 and recommendation of three year plan to Board.</p>	<p>Review the three-year financial plan and the 2021/22 budget setting papers.</p> <p>Comment on financial sustainability within our annual audit report.</p>

## Reporting arrangements

**7.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**8.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

**9.** We will provide an independent auditor's report to Grampian Valuation Joint Board, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will also provide the Accountable Officer and Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**10.** The unique and continuing challenges presented by COVID-19 mean that we are starting the current year's audits later than in previous years and that audits are taking longer to complete. As a result, the timescales set out below are later than in previous years and reflect available audit resources and prioritisation decisions. We will endeavour to meet the timescales set out below but recognise that this may not be possible due to uncertainty resulting from the COVID-19 pandemic.

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## Exhibit 2

### 2020/21 audit outputs

Audit Output	Target date	Committee Date
Annual Audit Report	22 October 2021	5 November 2021
Independent Auditor's Report signed	5 November 2021	N/A

Source: Audit Scotland

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## Audit fee

**11.** The agreed audit fee for the 2020/21 audit of the Joint Board is £7,610 (2019/20 £7,450). In determining the audit fee, we have taken account of audit risks identified, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package on 18 June 2021.

**12.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

## Responsibilities

### Joint Board and Treasurer

**13.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**14.** The audit of the annual accounts does not relieve management or the Joint Board, as those charged with governance, of their responsibilities.

### Appointed auditor

**15.** Our responsibilities as independent auditors are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**16.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the appropriateness of the disclosures in the governance statement and the financial sustainability of the Joint Board and its services. In doing this, we aim to support improvement and accountability.

**17.** Membership of our audit team has not changed significantly since last year.

# Audit scope and timing

## Annual accounts

**18.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the Joint Board's business and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the Joint Board will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing, and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**19.** We will give an opinion on whether the financial statements:

- give a true and fair view, in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code), of the state of affairs of the Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with IFRSs, as adopted by the European Union, and interpreted and adapted by the 2020/21 Code
- 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Statutory other information in the annual accounts

**20.** We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**21.** In addition, we review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.

## Materiality

**22.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.



23. We calculate materiality at different levels as described below. The calculated materiality values for the Joint Board are set out in [Exhibit 3](#).

### Exhibit 3 Materiality values



Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 2% of gross expenditure for the year ended 31 March 2021 based on the approved revenue budget for 2020/21	£80,000
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 70% of planning materiality.	£56,000
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£4,000

Source: Audit Scotland

### Timetable

24. To support the efficient use of resources it is critical that a timetable is agreed with us for the preparation and audit of the annual report and accounts. [Exhibit 4](#) sets out the agreed timetable which takes account of submission requirements and Joint Board meeting dates. We will endeavour to meet the timescales set out below but recognise that this may not be possible due to uncertainty resulting from the COVID-19 pandemic

### Exhibit 4 Annual accounts timetable

 Key stage	 Date
Latest submission date of unaudited annual report and accounts with complete working papers package	18 June 2021
Consideration of unaudited annual report and accounts by those charged with governance	18 June 2021
Agreement of audited unsigned annual report and accounts and issue of Letter of Representation and proposed independent auditor's report	22 October 2021
Independent auditor's report signed	5 November 2021

### Internal audit

25. Internal audit is provided by Moray Council's internal audit section. As part of our planning process we carried out an assessment of the internal audit function and concluded that, overall, it operates in accordance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). As part of our 2020/21 audit, we will continue to monitor progress made in implementing the action plan resulting from the external quality assessment completed in April 2019.

### Using the work of internal audit

**26.** International Auditing Standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We do not plan to place any formal reliance on the work of internal audit in 2020/21 as we intend to use a substantive approach for the audit of the Joint Board's financial statements. We will consider internal audit's work on the annual governance statement as part of our wider dimension audit responsibilities.

### Wider audit dimensions

**27.** The wider scope of public audit requires auditors to conclude on the appropriateness of the organisation's arrangements for financial management, financial sustainability, governance and transparency, and value for money. The full wider scope audit applies to all bodies unless the auditor judges that it is not appropriate due to the body's size, nature, and audit risks.

**28.** As in previous years, we plan to apply the small body provisions of the Code of Audit Practice to the Joint Board's 2020/21 audit. This is due to the lack of complexity of the Joint Board's financial transactions. Consequently, our wider scope audit work will focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the Joint Board and its services. We will also follow up on progress made in implementing the recommendations included in our 2019/20 annual audit report.

### Independence and objectivity

**29.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

**30.** The engagement lead (i.e. appointed auditor) for the Joint Board is Maggie Bruce, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Joint Board.

### Quality control

**31.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**32.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**33.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

# Grampian Valuation Joint Board

## Annual Audit Plan 2020/21

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

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