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Ayrshire Valuation Joint Board

Report to the Ayrshire Valuation Joint Board and the Controller of Audit on the 2020-21 audit

Issued on 14 September 2021 for the meeting on 21 September 2021

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the Annual Accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the members of the Ayrshire Valuation Joint Board ('the Board') for the year ending 31 March 2021 audit. The scope of our audit was set out within our planning report presented to the Board in March 2021.

This report summarises our findings and conclusions in relation to:

- The audit of the **Annual Accounts**; and
- Consideration of the wider scope requirements of public sector audit. As set out in our plan, in line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the "small body" clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our audit plan has not changed. Our work in this area was restricted to concluding on:
 - The appropriateness of the disclosures in **the governance statement**; and
 - The **financial sustainability** of the Board and the services that it delivers over the medium to longer term.

Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the Board.

The auditable parts of the Remuneration Report have been prepared in accordance with the relevant regulations.

A summary of our work on the significant risks is provided in the dashboard on page 9.

Status of the financial statements audit

Our audit work is complete.

Conclusions on audit dimensions

Financial sustainability – As with previous years, the Board are projecting to achieve short term balance in 2021-22. This position will be achieved through the use of reserves and savings within staff vacancies.

The Board continues to achieve healthy reserve levels ensuring minimum level uncommitted General Fund balances at 2% of net budgeted expenditure.

We are happy to report that the Board revisits the medium-term financial position as part of its annual budget setting process. In addition, the forecasted reserves are at an acceptable level, based on a realistic financial model.

In addition, the Board have designed a well-structured Workforce Plan with accountable persons and clear objectives.

Our detailed findings and conclusions are included on pages 18 to 21 of this report.

Introduction (continued)

The key messages in this report (continued)

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to the Board on pages 23 - 24 of this report.

Next steps

An agreed Action Plan is included on pages 28 – 29 of this report, including a follow-up of progress against prior year actions. We will consider progress with the agreed actions as part of our 2021-22 audit.

Added value

Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, we have included our "sector developments" on pages 23 - 24 where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to the Board.

Pat Kenny
Audit Director








Annual Accounts audit



Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		Key judgements for the AVJB relate primarily to the valuation of properties and pension asset/liability. Management demonstrated a clear understanding of these areas, were able to explain them clearly and provide sufficient and appropriate evidence to support these judgements at an early stage in the audit.
Adherence to deliverables timetable		Management provided all evidence in a timely manner, in advance of agreed timelines. Any follow-up requests during the audit were quickly actioned.
Access to finance team and other key personnel		Deloitte and the AVJB have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel.
Quality and accuracy of management accounting papers		Documentation provided has been of a high standard, which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Accounts.
Quality of draft financial statements		A full draft of the Annual Accounts was received for audit on 20 June 2021. Apart from a few minor changes, the first draft of the Annual Accounts was a good quality.
Response to control deficiencies identified		We did not identify any control deficiencies during our audit.
Volume and magnitude of identified errors		We identified one adjusted disclosure error in relation to pensions. For more insight, see page 26.



Lagging



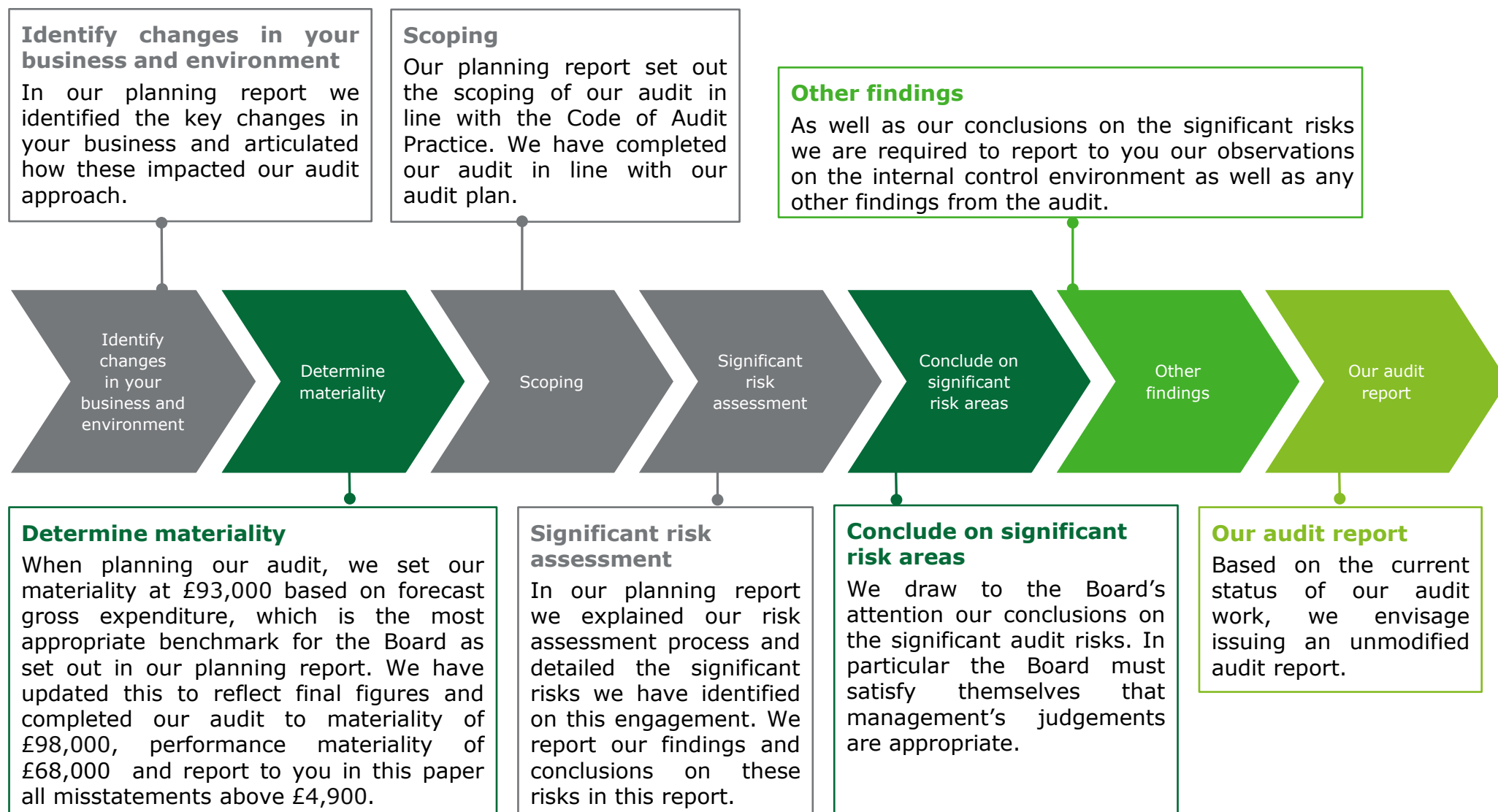
Developing



Mature







Our audit explained

We tailor our audit to your business and your strategy



Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Occurrence of income			D+I	Satisfactory		Satisfactory	10
Management override of controls			D+I	Satisfactory		Satisfactory	11

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

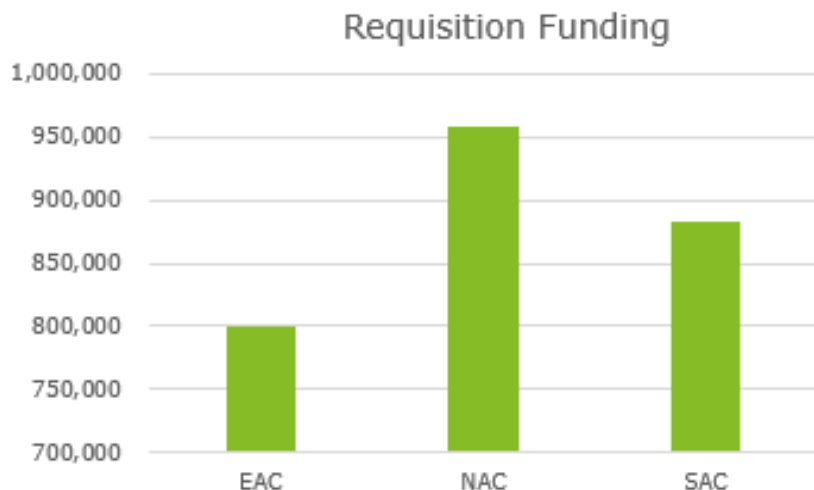
Occurrence of income



Risk identified and key judgements

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in income recognition, evaluate which types of income, income transactions or assertions give rise to such risks.

The main components of income for the Board are contributions from its funding partners, namely East Ayrshire Council (EAC), North Ayrshire Council (NAC) and South Ayrshire Council (SAC). The significant risk is pinpointed to the occurrence of this income and the potential that funding partners may not provide additional income to cover overspends.



Deloitte response and challenge

We have performed the following:

- Tested the income to ensure that the correct contributions have been input and received in accordance with the budget process and that any reductions have been appropriately applied;
- Tested the reconciliations performed by the Board at 31 March 2021 to confirm all income is correctly recorded in the ledger;
- Confirmed that the reconciliations performed during 2020-21 have been reviewed on a regular basis; and
- Assessed the design and implementation of the controls around recognition of income.

Deloitte view

We have concluded that income has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

Significant risks (continued)

Management override of controls



Risk identified

Management 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 management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. We have not identified any significant accounting estimates and judgements from our testing; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

We have not identified any instances of management override of controls in relation to the specific transactions tested.

Other areas of audit focus (continued)

Defined benefits pension scheme



Background

The Board participates in the Strathclyde Pension Fund, a funded defined benefit scheme administered by Glasgow City Council.

The net pension asset has increased from £566,000 in 2019-20 to £1,430,000 in 2020-21. The increase is a combination of an increase of £3,327,000 in the liabilities and £4,191,000 in the fair value of the assets as a result of demographic changes and financial assumptions.

The Board's pension liability continues to be affected by the following legal cases:

- **McCloud** – this case is in respect of possible discrimination in the implementation of transitional protections following the introduction of the reformed public services pension schemes from 1 April 2014 and 2015. The actuary has advised that an estimated allowance for McCloud has been included within the current service cost, consistent with the prior year. There is still uncertainty about the form of compensation that will be provided to members and therefore the final actual cost of complying with the ruling may be different to the estimate.
- **Goodwin** – this is a legal challenge made against the Government in respect of unequitable benefits for make dependants of female members (based on service after 1988) following the earlier Walker ruling. The 31 March 2020 triennial funding valuation did not allow for the impact of Goodwin, therefore the Council's actuary has used the same percentage allowance that was used last year (0.3% of the liability).

Deloitte response

- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- We reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking as shown the table below;
- We have requested assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements;
- We have reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; and
- We reviewed the disclosures within the accounts against the Code.

	Council	Comments
Discount rate (% p.a.)	2.0	Reasonable
Consumer Price Index (CPI) Inflation rate (% p.a.)	2.9	Reasonable
Salary increase (% p.a.)	3.6	Real salary increases 0.7% above CPI inflation
Pension increase in payment (% p.a.)	2.9	Reasonable
Pension increase in deferment (% p.a.)	2.9	Reasonable
Mortality - Life expectancy of a male/ female pensioner from age 65 (currently aged 65)	19.8/ 22.6	Reasonable
Mortality - Life expectancy of a male/ female pensioner from age 65 (currently aged 45)	21.2/ 24.7	Reasonable

Deloitte view

The final reports from our internal pension specialists conclude no issues arising based on the work performed to date, which includes a review of the impact of McCloud, Goodwin and various assumptions.

Other significant findings

Financial reporting findings

Below, we set out the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The Board has prepared its Annual Accounts in line with the Code of Practice on Local Authority Accounting. We are satisfied that the Board's accounting practices are appropriate.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation.

We will obtain written representations from the Board on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Based on our audit work completed to date, we expect to issue an unmodified audit opinion.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is relevant to the assessment of the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the Annual Accounts that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The narrative parts of the Annual Accounts are reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

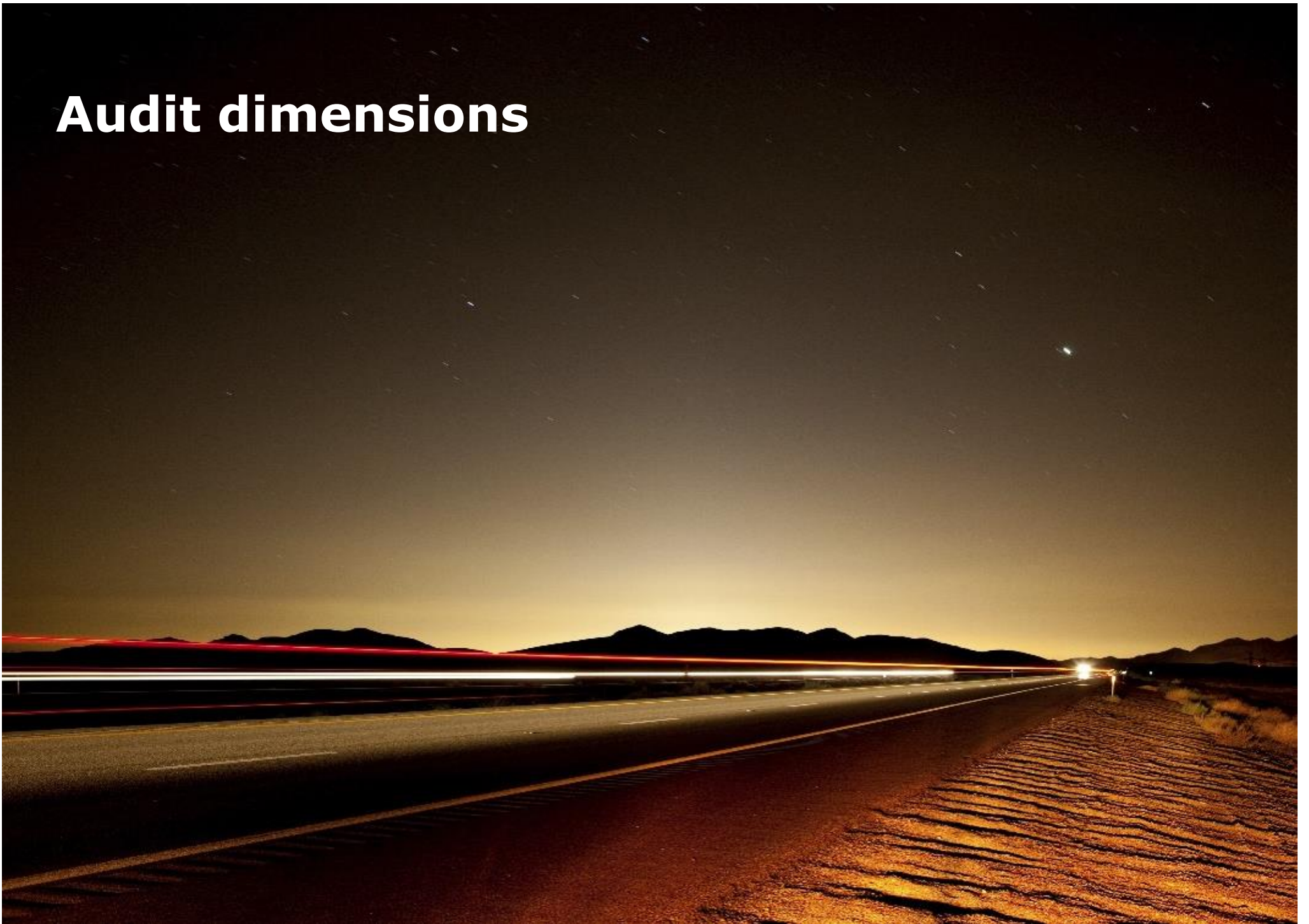
Our opinion on matters prescribed by the Controller of Audit as discussed further on page 15.

Your Annual Report

We are required to provide an opinion on the auditable parts of the Remuneration Report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
Management Commentary	The management commentary comments on financial performance, strategy and performance review and targets. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Board also focuses on the strategic planning context.	<p>We have assessed whether the management commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the management commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Pending amendments for minor improvements in the final version of the Annual Accounts we are satisfied that the management commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading.</p>
Remuneration Report	The remuneration report must be prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of the Chief Officer.	We have audited the disclosures of remuneration and pension benefits, and pay bands and we can confirm that they have been properly prepared in accordance with the regulations.
Governance Statement	The Annual Governance Statement reports that the Board governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government Framework. We have requested management to make minor changes but are satisfied to conclude that the Annual Governance Statement is consistent with the financial statements, our knowledge and the accounts regulations.

Audit dimensions



Audit dimensions

Overview

As set out in our Audit Plan, Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following areas. In line with previous years, we have concluded that the full application of the wider scope is not appropriate and applied the “small body” clause set out in the Code which allows narrower scope work to be carried out. We have updated our risk assessment during the audit and confirm that the judgement made in our Audit Plan has not changed. Our work in this area was restricted to concluding on:

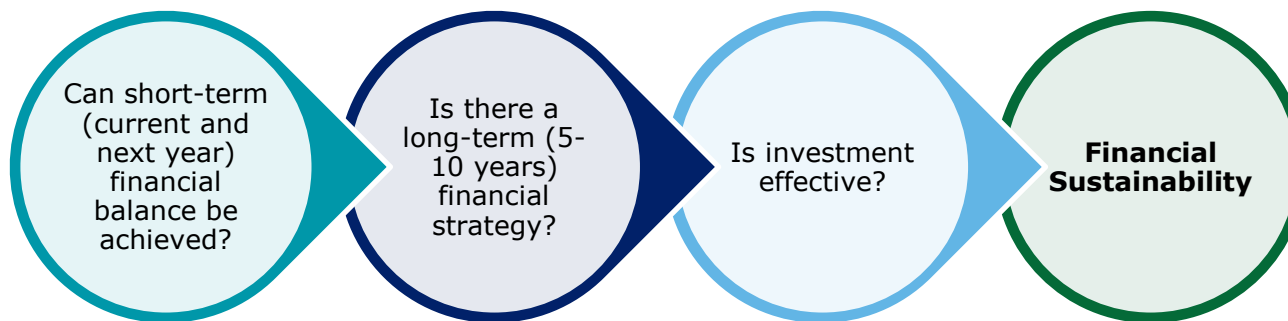
- The appropriateness of the disclosures in the **governance statement** (which is discussed on page 15); and
- The **financial sustainability** of the Board and the services that it delivers over the medium to longer term.

In addition to the above, we have reviewed the Board’s arrangements for the **prevention and detection of fraud and irregularities**. Overall we found the Board’s arrangements to be effectively designed and appropriately implemented.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



Financial sustainability

Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified the following area(s) of focus:

- Reviewal of the Board's medium to longer term financial plan to ensure that it includes a capital plan, scenario planning and sensitivity analysis;
- To ensure that the financial plan has built in funding for the additional responsibilities from the Barclays Review; and
- Consideration of any additional implications of EU withdrawal and the COVID-19 pandemic on the Board's financial sustainability.

Short-term financial planning

2019-20 conclusion: The Board achieved short term financial balance in 2019-20, and a balanced budget has been set for 2020-21. Healthy reserve levels well in excess of the Board's reserves strategy of 2% will be possible in the short term. However, these reserves are largely driven by favourable variances in employee costs, which are not sustainable in the short to medium term. This should be addressed by recruiting the appropriate staff into key posts in order to meet the additional responsibilities and work load resulting from the Barclay Review recommendations.

2020-21 update: The Board achieved short term financial balance in 2020-21 and have approved an expenditure budget of £2.759m for 2021-22. This has incorporated an initial budget gap of £0.163m which will be offset by the Board's reserves. There has been no increase to the core revenue requisitions for 2021-22. In addition, there has been no associated risks with the budgetary approach.

The balanced budget achieved in 2020-21 has been a consequence of savings for the Board due to staff vacancies. The Board report a £0.413m underspend as a result of vacant posts due to the challenges in recruitment as a result of COVID-19. Overall, these favourable variances are not sustainable in the medium-term given that the vacant posts are essential for meeting the additional responsibilities and work required from the Barclays Review.

As part of the 2021-22 budget, the Board have projected efficiency savings for the future financial year determining a saving of £0.025m by increasing the Board's payroll management target. This savings target is realistic and achievable for the Board in the short-term.

The Board also continues to achieve healthy reserve levels ensuring a minimum level of uncommitted General Fund balances at 2% of net budgeted expenditure.

Finally, the Board continue to keep members of the public engaged through their duty to report. On their website, they frequently upload Board minutes as well as formal written documentation in support of these minutes.

Financial sustainability (continued)

Short-term financial planning (continued)

2020-21 conclusion: The Board has a robust planning, monitoring and budgetary process in place for achieving savings. Historically, the Board has achieved the majority of savings targets in place. In addition, the current reserves held are at an acceptable level. However, the Board should consider that the staff vacancy savings are not sustainable in the medium-term given that the vacant posts are essential. The Board should focus on recruitment for these vacancies and consider sustainable savings elsewhere.

Medium-to long-term financial planning

2019-20 conclusion: We are pleased to note that there is now a medium term financial strategy in place which addressed funding for the next three years to 2022/23.

2020-21 update: The Board have a medium-term financial plan which looks at 2020-21 – 2022-23. This has been incorporated within the budget setting process and was established during the prior year audit in response to our prior year recommendation to implement a medium term financial strategy

In addition to this medium-term plan, the Board also have a “Corporate Plan”. This plan sets out strategic content for the need to modernise the AVJB and implement transformational change. At current, the Board are delivering this successfully through the use of software updates and digitalising their paper records.

The general uncommitted reserves as a percentage of net expenditure is 27% (2020-21), 22% (2021-22) and 14% (2022-23) respectively, which is in line with the Board’s Strategy of a minimum of 2% of net expenditure. Over the next two years, the uncommitted reserves as a percentage of net expenditure will decrease by 5% and 8% respectively.

The funding gap for 2021-22 is £163,135 which is £5,572 less than 2020-21. This represents a favourable decrease of 3% for 2021-22. The Board intend to draw on their reserves to address these budget gaps. In doing so, the Board has generated a prudent, realistic financial model to forecast this.

2020-21 conclusion: It is positive that the Board revisits the medium-term financial position as part of its annual budget setting process. There has also been good progress in reducing the gap each year through the achievement of in-year savings.

In addition, the forecasted reserves are at an acceptable level, based on a realistic financial model. The Board should continue to monitor its reserve levels to ensure it is able to maintain it at the minimum of 2% of net expenditure in line with the reserves strategy.

Financial sustainability (continued)

Workforce Planning

2019-20 conclusion: This was not specifically reported on during the 2019-20 audit.

2020-21 update: The Board have implemented a second Workforce Plan covering 2021-2024. The Workforce Plan appears effective and is well presented. There is a clear action plan with seven priorities, some of which have been developed as a result of COVID-19, i.e. agile working.

There are clear accountable persons for each objective to ensure that each action is being carried out, however for some objectives, the time-frames are unclear.

Furthermore, there is no mention of mental health within the plan. This should be considered by the Board given the ongoing pandemic and the heightened importance of well-being.

Through the use of time and investment, the transition to working from home has been well managed by the Board thus allowing 95% of the workforce to work remotely.

2020-21 conclusion: The Board have designed a well-structured Workforce Plan with accountable persons and clear objectives. The seven objectives within the Workforce Plan align with the Corporate Plan and the overall vision of the Board.

However, there is no mention of mental health within the plan. We recommend that the Board should implement an objective and action concerning the well-being of staff members. The Board should consider using the “New Frontiers for Smarter Working” report (page 24) as a guide to developing this strategy.

In addition, the timeframes within the Workforce Plan are unclear. We recommend that the Board consider implementing appropriate deadlines for each of these objectives so that they can be continually monitored.

Financial sustainability (continued)

Deloitte view – Financial sustainability

The Board achieved short term financial balance in 2020-21 and have approved an expenditure budget of £2.759m for 2021-22. This has incorporated an initial budget gap of £0.163m which will be offset by the Board's reserves. The balanced budget has been a consequence of savings for the Board due to staff vacancies. The Board report a £0.413m saving as a result of vacant posts due to the challenges in recruitment as a result of COVID-19.

The Board continue to adopt healthy reserve levels ensuring minimum level uncommitted General Fund balances at 2% of net budgeted expenditure.

The funding gap for 2021-22 is less than 2020-21. This represents a favourable decrease of 3% for 2021-22 highlighting the Board's robust financial monitoring processes.

It is positive that the Board revisits the medium-term financial position as part of its annual budget setting process. In addition, the forecasted reserves are at an acceptable level, based on a realistic financial model. The Board should continue to monitor its reserve levels to ensure it is able to maintain it at the minimum of 2% of net expenditure in line with the reserves strategy.

The Board have designed a well-structured Workforce Plan with accountable persons and clear objectives. However, time-frames should be clarified as well as consideration to employees' mental health.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report;
- Our internal control observations; and
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

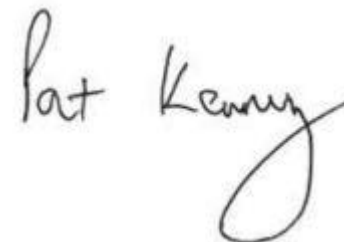
What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA

For and on behalf of Deloitte LLP

Glasgow | 14 September 2021

Sector developments



Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19

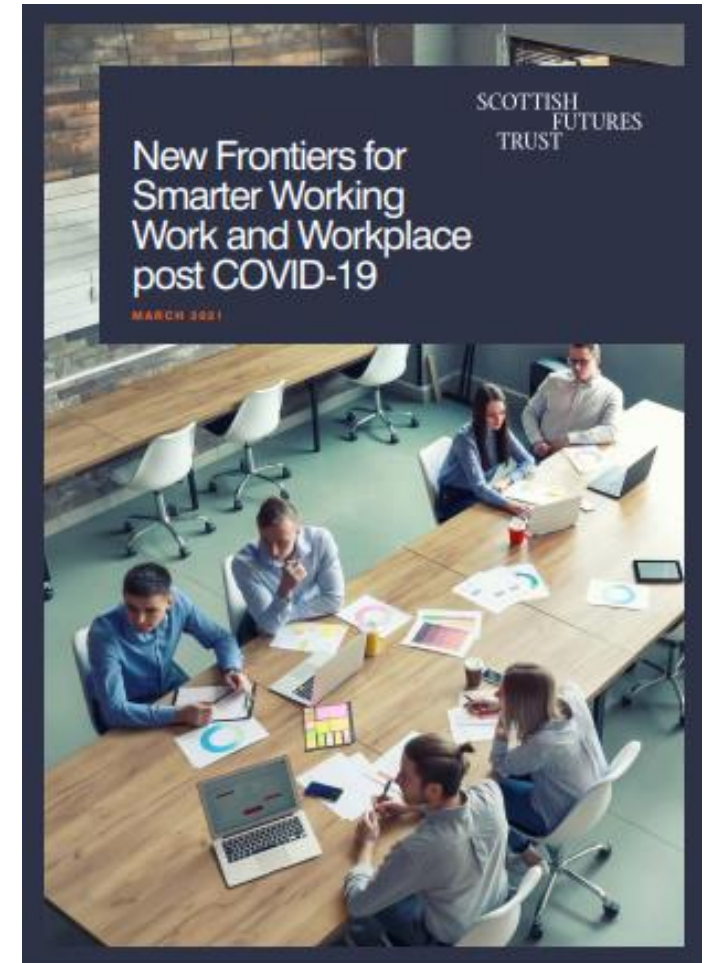
Background and overview

COVID-19 has fast-tracked a social revolution where a wider range of working choices could be on the horizon for hundreds of thousands of workers.

A new report by infrastructure experts, the Scottish Futures Trust reveals that the workforce of the future - predominantly those who have been office based - will want to make informed choices of where and how to work most productively and more beneficially for their wellbeing.

Post the pandemic, organisations should consider the three 'Hs' of working - from Home, a nearby hub or local location, where employees can meet clients or have time to concentrate on projects, or the HQ and head office, where people can gather to socialise, brainstorm ideas or collaborate face-to-face.

The "New Frontiers for Smarter Working, Work and Workplace Report" also finds that this new blended future will depend on how employers gauge the benefits from the improved working set up while ensuring the wellbeing of employees.



Next steps

The report reveals a new future for best work, productivity and wellbeing. The full report is available at https://www.scottishfuturestrust.org.uk/storage/uploads/new_frontiers_report_march2021.pdf

Appendices



Audit adjustments

Adjusted misstatements

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<i>Transactions relating to post-employment benefits</i>		
In "Note 5 Pension contributions" under "transactions relating to post employment benefit", there is a line for "reversal of net charges made to the surplus/deficit for the provision of services for post-employment benefits in line with the Code" which was incorrectly calculated by the Board. An adjustment of £604k was made to correct the calculation.	Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (6.4.3.45)	Quantitatively material

Unadjusted misstatements

There have been no uncorrected misstatements up to the date of this report.

Action plan

Recommendations for improvement

No.	Area	Recommendation	Management Response	Responsible person	Target Date	Priority
1.	Workforce Plan	The Board should consider implementing appropriate deadlines for each of these objectives so that they can be continually monitored.	The Board's Workforce Plan will be updated to incorporate this recommendation and presented for Members' approval at the next Board meeting.	The Assessor	31/01/2022	Low
2.	Workforce Plan	The Board should implement an objective and action concerning the well-being of staff members. The Board should consider using the "New Frontiers for Smarter Working" report (page 24) as a guide to developing this strategy.	The Board's Workforce Plan will be updated to incorporate this recommendation and presented for Members' approval at the next Board meeting.	The Assessor	31/01/2022	Medium

Action plan (continued)

Follow-up 2019-20 action plan

We have followed up the recommendation made in our 2019-20 annual report and note that the one recommendation made has not been fully implemented. We will continue to monitor this as part of our audit work.

Area	Recommendation	Responsible person	Target Date	Priority	2020-21 Update
<i>Financial Planning – savings and efficiencies</i>	The continued use of reserves is not sustainable in the medium to longer term. Efforts are ongoing to identify future sources of savings and efficiencies to ensure the maintenance of healthy reserve levels. This includes potential efficiencies from the implementation of a new operating system, the implementation of which is still ongoing. The achievement of savings and efficiencies will continue to be monitored over the audit contract.	T Baulk/ H McPhee	31/03/2022	Medium	<i>Not implemented</i> Management update – The implementation of the new core operating system was delayed due to the impact of Covid-19 on the Board’s operations, followed by the Scottish Parliamentary Election in May 2021. Implementation is expected during 2021/22, following which the opportunity to streamline processes and identify consequential efficiency savings will present itself.

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity or group.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in relation to occurrence of income and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and our objectivity is not compromised.

Fees

The audit fee for 2020-21, in line with the expected fee range provided by Audit Scotland, is £7,610, as analysed below:

	£
Auditor remuneration	6,620
Audit Scotland fixed charges:	
Pooled costs	630
Contribution to PABV	360
Audit support costs	0
Total fee	7,610

We have still to assess any impact of additional testing as a result of COVID-19. Once completed, we will discuss any impact on the fee with management.

No non-audit services fees have been charged for the period.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.



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