

External Audit Report – Highland and Western Isles Valuation Joint Board

Financial year ended 31 March 2022

Prepared for those Charged with Governance and the
Controller of Audit

Final December 2022



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Highland and Western Isles Valuation Joint Board or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). 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.

Executive Summary

This table summarises the key findings and other matters arising from the external audit of Highland and Western Isles Valuation Joint Board and the preparation of the financial statements for the year ended 31 March 2022 for those charged with governance and the Controller of Audit.

Financial Statements

<p>Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p>	<p>On 2 December 2022 we concluded our audit and issued an unmodified audit report.</p>
<ul style="list-style-type: none"> • The Highland and Western Isles Valuation Joint Board financial statements give a true and fair view in accordance with applicable law and CIPFA Code of Practice on Local Authority Accounting 2021/22 ('the 2021/22 Code') of the state of the Valuation Joint Board as at 31 March 2022 and of the income and expenditure of the Valuation Joint Board; • the Valuation Joint Board's financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS), as interpreted and adapted by the 2021/22 Code; • the Valuation Joint Board's financial statements 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. • the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014. 	<p>As in prior year our external audit work was completed remotely. The financial statements presented for audit were of a good quality and the VJB's finance team have supported the audit process, by providing suitable working papers and answering our auditor queries on a timely basis.</p>
<p>We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local government in Scotland Act 2003. We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).</p>	<p>Our agreed adjustments, and those not adjusted by Officers, are set out in Appendix 1. In addition, we recommended certain enhancements to the disclosures in the accounts, and these are also captured in Appendix 1.</p> <p>This is our last year as the Valuation Joint Board's appointed auditors and we wish to thank the VJB and the finance team for supporting the audit process over our audit appointment.</p>

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year at Highland and Western Isles Valuation Joint Board. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2021/22 have been:

- An audit of the Valuation Joint Board's annual report and accounts for the financial year ended 31 March 2022;
- Consideration of the wider dimensions that frame the scope of public audit as set out in Audit Scotland's Code of Audit Practice 2016 ('the Code')
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

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

Responsibilities

The Valuation Joint Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. The VJB is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

The recommendations 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 officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to the Valuation Joint Board throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management and sustainability, risk and performance. In so doing, we aim to help the VJB promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts

Key messages and judgements

We have identified no adjusted audit misstatements to the financial statements and 1 unadjusted misstatement. Disclosure corrections identified during our audit have been detailed in Appendix 1.

Our follow up of recommendations from the prior year's audit are detailed in Appendix 2.

Our audit opinion

For the financial year ended 31 March 2022 we issued an **unmodified opinion** on the annual report and accounts. As reported in the independent auditor's report:

- The Highland and Western Isles Valuation Joint Board's financial statements give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of the VJB as at 31 March 2022 and of the income and expenditure of the VJB for the year then ended;
- the Valuation Joint Board's financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS), as interpreted and adapted by the CIPFA Code of Practice on Local Authority Accounting 2021/22 ('the 2021/22 Code');
- the Valuation Joint Board's financial statements 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; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

The audit process

Our external audit work commenced in September 2022 with the audit team working remotely. The VJB prepared and published the unaudited annual report on the Highland Council's website by the end of June, as required. The overall quality of the accounts were of a good standard.

The VJB's finance team supported the audit process, with both teams working well together to resolve audit queries. As in prior year we had direct access to the VJB's financial ledger to support our substantive testing.

Audit of the annual report and accounts

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Our audit approach was set out in our audit plan. We reviewed our planning assessment of materiality based upon your 2021/22 draft financial statements and concluded that materiality is £78,000 for entity, representing 2% of gross expenditure.

Performance materiality was set at £58,500, representing 75% of our calculated materiality.

We report to Officers (Management) any difference identified over £3,900 (being 5% of materiality).

We applied a lower materiality threshold for disclosures within the Remuneration Report to ensure that remuneration has been disclosed within the appropriate bandings (being £5,000).

Internal control environment

In accordance with ISA requirements we have developed an understanding of the VJB's control environment. The VJB operates primarily under the Highland Council's control environment and we have utilised our understanding of the Council's own system of internal control as part of our audit planning and fieldwork. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams 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.

This section provides commentary on the significant audit risks communicated in the External Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Our risk focuses on the areas of the financial statements where there is potential for management (Senior Officers) to use their judgement to influence the financial statements alongside the potential to override internal controls, related to individual transactions.

Our work focuses on journals, management estimates and judgements and transactions outside the normal course of business as set out within the financial statements.

In response to this significant risk, our audit response was as follows:

- We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- We reviewed accounting estimates for management bias/indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2022 and retrospective review of those estimates as at 31 March 2021.
- Journals testing including:
 - Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger;
 - Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. We tested these journals to ensure they were appropriate and suitably recorded in the financial ledger;
 - Target testing of transactions and journals posted around the financial year end, reviewing to understand the rationale for these entries.

Conclusion

Based on our risk based testing, as outlined above, we did not find evidence of management override of controls in our testing of journal transactions or instances of material error.

Risks identified in our Audit Plan

Defined benefit pension scheme – Valuation

The VJB participates in the Highland Council Pension Fund, a local government pension scheme. The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, the VJB is required to recognise its share of the scheme assets and liabilities on the statement of financial position. As at 31 March 2021 the VJB had pension fund liabilities of £4.161 million.

Hymans Robertson UK LLP provide an annual IAS 19 actuarial valuation of VJB's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme could be materially misstated within the financial statements. We focus this risk on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and suitability of these for the VJB.

Commentary

In response to this significant risk, our audit response was as follows:

- perform walkthroughs of the controls and procedures over the valuation of defined benefit pension liabilities, including Officers oversight of the valuation;
- considered the work of the actuary (Hymans Robertson UK LLP), including the assumptions applied, using the work performed by PricewaterhouseCoopers (PwC) (commissioned on behalf of Audit Scotland to review actuarial assumptions proposed by LGPS actuaries);
- perform substantive analytical procedures over the pension fund movements, investigating any deviations from audit expectation;
- obtained assurances from the auditor of the Pension Fund (in line with Audit Scotland protocol) regarding their audit testing and the pensions fund's systems of internal control and source data.
- review the accounting entries and disclosures made within the VJB's financial statements in relation to IAS 19.

Conclusion

Through our audit procedures we did not identify any matters to bring to your attention. Our substantive analytical procedures were undertaken, with variances explained and agreed, where appropriate. We are satisfied that the accounting entries and disclosures in the VJB's financial statements comply with the Accounting Code and IAS 19.

Risks identified in our Audit Plan

Commentary

Risk of fraud in expenditure recognition (cut-off)

Operating expenditure is understated or not treated in the correct period (risk of fraud in expenditure). As payroll expenditure is well forecast and agreeable to underlying payroll systems, there is less opportunity for the risk of a misstatement in this expenditure stream. We therefore focus on material non-pay expenditure streams. We consider the risk to be particularly prevalent around the year-end and therefore focus our testing on cut-off of these expenditure streams and the completeness of expenditure.

Our testing includes a specific focus on year end cut-off arrangements, where it may be advantageous for management to show an enhanced/different financial position in the context of reporting to in-year to Scottish Government and the need to achieve the financial targets set.

In response to this significant risk, our audit response was as follows:

- perform walkthroughs of the controls and procedures over non-pay expenditure streams;
- Substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording with a heightened risk around the year-end where we consider greatest incentive / opportunity for material misstatement
- Focused substantive testing of non-pay expenditure recognised post year end to identify if there is any potential understatement to address the risk of cut-off;
- Review of accruals and payables, where material, around the year-end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.

Conclusion

Through our audit procedures we did not identify any material exceptions in our testing. We did identify an immaterial misstatement, which is documented within Appendix 1. As this is an immaterial adjustment, based on our auditor projections, it has been left unadjusted.

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Highland and Western Isles Valuation Joint Board and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2021/22 Local Government Accounting Code of Practice.
- We enquired of Officers and those charged with governance, concerning the VJB's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Officers and those charged with governance, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Highland and Western Isles Valuation Joint Board's financial statements to material misstatement, including how fraud might occur, by evaluating officers incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered the VJB's financial performance for the year and potential management bias in determining accounting estimates in relation to expenditure accruals and the estimations in respect of the VJB's defined pension liability. Our audit procedures are documented within our response to the significant risk of management override of controls.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The VJB's operations, including the nature of its operating income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - The VJB's control environment, including the policies and procedures implemented by the VJB to ensure compliance with the requirements of the financial reporting framework.

Significant estimates and judgements

Highland and Western Isles Valuation Joint Board's financial statements include the following significant accounting estimates and judgements impacting on the annual accounts:

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Accruals	<p>At 31 March 2022 the VJB had a balance of short term creditors totalling £384,000. This is a sizeable reduction compared to the prior year.</p> <p>This balance is made up of a number of small accruals and other creditors, but primarily relates to the returning of requisition income to constituent authorities and the Scottish Government.</p> <p>Management make use of best available information in estimating accruals.</p>	<p>Through our audit testing performed we are satisfied that the basis of estimation for accruals are reasonable and that they have resulted in a materially accurate year-end position.</p>	<p>● [light purple]</p>

Significant judgement or estimate	Summary of officer's approach	Audit Comments	Assessment
IAS 19 Pension obligations	<p>The VJB has provided for estimated liability relating to the VJB's share of the net liability in the Highland Council Pension Fund.</p> <p>The VJB engage Hymans Robertson UK LLP to provide an annual IAS 19 actuarial valuation of the Authority's net liabilities in the pension scheme. There are several assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and future salary projections.</p> <p>These key assumptions are discussed with the actuary to inform the report. These are predominantly informed by the actuaries recommended assumptions and subject to review from Officers from the VJB. As administering authority for the Pension Fund, Highland Council submit data to the actuary to inform both the triennial valuation (as at 31 March 2020) and the annual IAS 19 valuation.</p>	<p>As noted, using the work of PwC we reviewed the key assumptions underpinning the actuarial valuation.</p> <p>We are satisfied that the assumptions adopted were appropriate for the VJB and considered reasonable i.e. within our acceptable tolerances and that Senior Officers have disclosed the key sensitivities surrounding these assumptions and data in the draft financial statements.</p>	<p>● [light purple]</p>

Significant estimates and judgements (continued)

As required in the Valuation Joint Board's Accounting Policies note, Officers outline critical judgements in applying accounting policies. In addition, assumptions about the future and other sources of estimation uncertainty are disclosed. .

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is the Valuation Joint Board's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from Officers regarding management's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of the VJB's accounting policies, accounting estimates and financial statement disclosures. We have proposed disclosure enhancements and these are reported in Appendix 1. The VJB's accounting policies are in line with the Local Government Accounting Code of Practice.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we plan to issue an unmodified opinion in this respect.

Issue	Commentary
Annual Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016). We have no matters to report in respect of the Annual Governance Statement.
Matters on which we report by exception	We are required by the Accounts Commission to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Written representations	A letter of representation will be requested from the VJB prior to signing the financial statements.
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the VJB meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management’s (senior officer’s) assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s (senior officer’s) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Wider Scope Audit – Smaller Body

As set out in our Audit Plan, the VJB meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016).

Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Annual Governance Statement. Below, we have captured our commentary and conclusions on governance arrangements and financial sustainability.

Wider Scope dimension	Wider Scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Governance Arrangements (Audit Scotland planning guidance consideration)	No significant risks identified within our audit planning	<p>Governance</p> <p>Since the beginning of the Covid-19 pandemic, the VJB have implemented home-working arrangements and these carried through to the end of the 2021/22 financial year. Additional governance arrangements were in place such as remote meetings of the Joint Board. The VJB is exploring a hybrid approach to office/home working beyond 2021/22.</p> <p>The VJB have engaged the Highland Council’s Internal Audit function to provide Internal Audit services to the organisation. In 2021/22, internal audit work consisted of:</p> <ul style="list-style-type: none"> - A review of the systems of internal control to inform the Board’s Annual Governance Statement and the Internal Audit Annual Report. - A review of the Assessor’s purchase to pay process and the associated budgetary control processes. <p>There were no significant control deficiencies or issues identified through internal Audit’s work that would require specific disclosure in the Annual Governance Statement and the statement is a fair reflection of the work performed and the opinion provided by Internal Audit.</p>	<p>We have not identified any concerns around the VJB’s governance arrangements or disclosures within the draft governance statement.</p> <p>We found that there is an opportunity for enhancing risk oversight at the VJB.</p> <p>Currently, management monitor and manage risks facing the VJB but it is important that members have oversight of the risks facing the organisation and assurance around the arrangements in place to manage strategic risks.</p>

Action Plan follow up – 1.

Wider Scope dimension	Wider Scope risk identified in our audit plan	Wider scope audit response and findings	Grant Thornton conclusion
Financial Sustainability (as applicable to a smaller body)	No significant risks identified within our audit planning	<p>For the year ended 31 March 2022, the VJB reported total comprehensive income for the year of £1,227,000 (2020/21: Expenditure £508,000). This included actuarial gains on the IAS 19 defined benefit pension scheme liability of £1,839,000. The overall deficit on provision of services was £612,000 (2020/21: £389,000). During the year, the VJB delivered an overall underspend on operating activities of £135,000 through higher than budgeted grant income and lower than forecast costs. The VJB restricts reserves to 3% of total budget in the year of transfer and cumulatively not exceed 5% of total budget. Consequently, the overall underspend was reduced to nil by returning £135,000 of requisitions from constituent authorities.</p> <p>The VJB recognise wider risks in relation to pressures on finances to support the organisation in continuing to deliver its objectives. The VJB's workload continues to represent an operational challenge, particularly as the VJB continues to prepare for the implementation of the Barclay reforms and the move to three yearly revaluations, as well as a new two-stage appeals system, which will be carried out from 1 April 2023.</p> <p>A key challenge remains ensuring that it has the capacity and capability to deliver on these reforms, with the next revaluation being in 2023, with a requirement on the VJB to provide more and clearer information to proprietors, tenants and occupiers on how a property's rateable value has been calculated.</p> <p>The Scottish Government has confirmed it will be providing additional funding to the local authorities to fund these requirements and the VJB has factored this into their Revenue Budgeting for 2022/23 – 2024/25.</p>	<p>Throughout our audit procedures we have not identified any significant risks in relation to the VJB's financial sustainability.</p> <p>Officers recognise the financial pressures faced in delivering planned activities with funding continuing to be made available from constituent authorities and the Scottish Government.</p> <p>In the coming years, the response to the Barclay review will continue to provide a challenge for the VJB, but ultimately the VJB has factored this into their budgeting and has sufficient financial arrangements in place.</p>

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. We can report there were no corrected misstatements to the financial statements arising during our audit. There was one uncorrected misstatement to the financial statements, which has been detailed below. This misstatement has arisen due to post year-end actuals for accrued expenditure being different to management's best estimate as at 31 March 2022. The misstatement is not material, and therefore management have decided not to adjust the financial statements.

Impact of unadjusted misstatements

The table below provides details of the unadjusted misstatement identified during the audit:

Detail	Statement of Comprehensive Net Expenditure £	Statement of Financial Position £
Being projected misstatement arising from the difference between amounts accrued for The Lands Tribunal for Scotland fees and lease dilapidation costs and post year-end actuals.	-12,140	12,140

1. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Auditor recommendations	Adjusted?
Statement of Cash Flows	The presentation could benefit from a note to the financial statements to support the disclosure of non-cash movements.	No – not considered material to the users of the accounts.
Events after the balance sheet date	The accounts did not have a specific disclosure regarding events after the balance sheet date. This is mentioned in the accounting policies, but the accounts would benefit from an explicit disclosure.	Yes

There were also minor presentational changes recommended to management. These are not considered material to the accounts.

2. Follow up of 2020/21 recommendations

We are pleased to report there were no audit recommendations arising from our audit work in the current year. We set out below our follow up of our 2019/20 recommendation and this is reflected below for information.

1. Risk Management

From review of the VJB Board minutes and papers there does not appear to be significant focus on risks and no formal review of a VJB risk register. In addition, while the VJB has established key non-financial performance measures, as noted within the Annual Report, there does not appear to be significant monitoring of these during the year at the VJB Board. There is an opportunity to enhance the level of oversight and scrutiny across the VJB through establishing key performance reports and also reporting and monitoring of the key risks to the delivery of these.

Initial Management response: Highland and Western Isles Valuation joint Board staff maintain a risk register which is regularly reviewed. Significant changes in key risks will be reported to the next Board meeting. Non-financial performance monitoring is reported in the annual accounts.

Follow up: Outstanding

While key risks facing the organisation are monitored through Officers, there is an opportunity to enhance the scrutiny and oversight of these at the Joint Board. We recommend that Management consider the arrangements in place for ensuring the key strategic risks are monitored by members to ensure there is appropriate strategic oversight of these.

Responsible Officer: Assessor and Electoral Registration Officer

Implementation Date: Y/E 2022/23

3. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	6,760
Pooled costs	700
Contribution to Audit Scotland costs	360
Contribution to Performance Audit and Best Value	Nil
2021/22 Fee	7,820

Fees for other services

Service	Fees £
We confirm that for 2021/22 we did not receive any fees for non-audit services	Nil

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team.
- We can confirm no independence concerns have been identified.

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2021 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report-2021)

4. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the VJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•



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