

Renfrewshire Valuation Joint Board

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Renfrewshire Valuation Joint Board and the Controller of Audit
November 2022

Contents

Key messages	3
Introduction	4
Part 1. Audit of 2021/22 annual accounts	6
Part 2. Financial sustainability and Annual Governance Statement	10
Appendix 1. Action plan 2021/22	13
Appendix 2. Summary of 2021/22 national performance reports and briefing papers	14

Key messages

2021/22 annual accounts

- 1 Renfrewshire Valuation Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial sustainability and Annual Governance Statement

- 3 A deficit of £3,084 for the financial year 2021/22 was achieved, compared to a budgeted breakeven position. This comprises of a deficit of £156,056 in Electoral Registration Officer (ERO) activity, which was fully funded from earmarked reserves carried forward from 2020/21 and a net surplus of £152,972 in respect of core activity.
- 4 The audited annual accounts confirm a useable reserves balance of £672,055 as at 31 March 2022. Management is intending to use reserves in the coming years but will look to maintain reserves of at least five per cent of net expenditure.
- 5 The financial planning arrangements in place have allowed management to plan for future pressures and take action where required.
- 6 Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

Introduction

1. This report summarises the findings from our 2021/22 audit of Renfrewshire Valuation Joint Board (RVJB).
2. The scope of our audit was set out in our [2021/22 Annual Audit Plan](#). This was circulated to members outwith the normal committee cycle. This report comprises the findings from:
 - an audit of the RVJB's annual accounts
 - our consideration of financial sustainability and the Annual Governance Statement.

Adding value through the audit

3. We add value to the RVJB through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations;
 - sharing intelligence and good practice guides; and
 - providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.
4. In so doing, we aim to help RVJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. RVJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. RVJB is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK. Also, local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on RVJB's Best Value arrangements is focussed on their use of resources to secure financial sustainability.
7. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

8. The [Code of Audit Practice 2016](#) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the [Code of Audit Practice 2016](#) to the 2021/22 audit.

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

Auditor Independence

10. Auditors appointed by the Accounts Commission must comply with the [Code of Audit Practice 2016](#) and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £7,820 as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

Audit appointment from 2022/23

13. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

14. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Azets will be the appointed auditor for RVJB. We are working closely with the new auditors to ensure a well-managed transition.

15. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the [Code of Audit Practice 2016](#) issued in May 2016.

16. We would like to thank Board members, the Assessor, the Treasurer and other staff, particularly those in finance, for their co-operation and assistance over the last six years.

Part 1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

RVJB's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Our audit opinions on the annual accounts are unmodified

17. The annual accounts for the year ended 31 March 2022 were approved by the Joint Board on 18 November 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the Management Commentary, the Annual Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual accounts were signed off in line with the agreed timetable

18. The unaudited annual accounts were received in line with our agreed audit timetable on 10 June 2022. The physical limitations on access to records and systems due to continued remote working did not impact on or delay the audit.

19. The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £57,000

20. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual

accounts, and it was concluded no changes were required to our planned levels. Materiality is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£57,000
Performance materiality	£43,000
Reporting threshold	£3,000

Source: Audit Scotland

We have one significant finding to report on the accounts

21. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices, covering accounting policies, accounting estimates and financial statements disclosures. We have one significant finding to report from the audit.

Exhibit 2 Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Guaranteed Minimum Pensions</p> <p>A contingent liability of £80,000 was originally disclosed in the unaudited financial statements in relation to Guaranteed Minimum Pensions (GMP). This should have been recognised within the overall pension liability. This adjustment also required to be amended in the prior year.</p>	<p>Management amended the 2021/22 financial statements to reflect the GMP liability and removed the contingent liability. The 2020/21 accounts were restated to reflect the prior year adjustment.</p>

Source: Audit Scotland

22. There were two other audit findings in relation to the following areas noted below. [Appendix 1](#) details the recommended action plan in relation to these:

- **Related parties** – RVJB's related parties note was reviewed against the requirements of IAS 24 and Audit Scotland's [Good Practice Note](#). Management has updated and expanded the disclosure within the annual accounts. The process could be further improved by management:
 - conducting a review of the register of interest of each Board member against a year-end transaction listing to identify any related party disclosures;

- consideration of the interests of close persons or family members of those related to RVJB in the identification of related parties; and
- adding a link in the note to signpost to Board members Register of Interests.
- **Pension Reconciliation** – There is a difference in the employer contribution figure recognised in RVJB’s ledger and the Hyman’s Robertson IAS 19 report of £8,259. Management advised the difference is as a result of payroll operating on a cash basis whilst the ledger is on an accrual basis. However, no reconciliation has been undertaken.

23. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management’s ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Evaluate significant transactions outside the normal course of business. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. 	<p>Results & Significant Judgements:</p> <p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: No evidence of management override of controls.</p>

Audit risk	Assurance procedure	Results and conclusions
	Focussed testing of accounting accruals and prepayments.	

Other areas of audit focus

24. We identified in our 2021/22 Annual Audit Plan one area where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The area of specific audit focus was:

- **Measurement and judgements applied to the valuation of pension liabilities:** As at 31 March 2021, RVJB recognised a net liability of £2.429 million relating to its share of the Strathclyde Pension Fund liability. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates.

25. We have kept this area under review throughout our audit and one issue has been raised in [Exhibit 2](#).

All identified misstatements have been corrected in the audited accounts

26. The cumulative total of misstatements identified was £80,000 in relation to the GMP issue highlighted in [Exhibit 2](#).

27. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. Adjustments made in the audited accounts:

- decreased the pension asset by £80,000 and decreased unusable reserves by £80,000.

28. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold; there are no unadjusted errors to report.

Part 2. Financial sustainability and Annual Governance Statement

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

A deficit of £3,084 for the financial year 2021/22 was achieved, compared to a budgeted breakeven position. This comprises of a deficit of £156,056 in ERO activity, which was fully funded from earmarked reserves carried forward from 2020/21 and a net surplus of £152,972 in respect of core activity.

The audited annual accounts for 2021/22 confirm a useable reserves balance of £672,055 as at 31 March 2022.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

29. [Exhibit 4](#) sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 4

Risks identified from the auditor's wider responsibility under the [Code of Audit Practice 2016](#)

Audit risk	Assurance procedure	Results and conclusions
<p>Financial Sustainability</p> <p>As part of the budget setting process for RVJB, revenue estimates are prepared for a three-year period. This allows management and members to identify pressures and take</p>	<ul style="list-style-type: none"> In February 2022 the Board approved revenue estimates for 2022/23 and noted indicative budgets for 2023/24 and 2024/25. While a drawdown from reserves is planned for each year, it is forecast that reserve 	<p>Results & Significant Judgements:</p> <p>A review of budget monitoring reports and the financial statements highlight reserves have decreased slightly, with a balance of £672,055 as at</p>

Audit risk	Assurance procedure	Results and conclusions
<p>early actions to mitigate against these pressures.</p> <p>The audited annual accounts for 2020/21 confirm a useable reserve balance of £675,139. Use of reserves is anticipated until 2022/23 to achieve financial balance and maintain sustainable requisition increases. However, it is planned to maintain reserves at a minimum of five per cent of net expenditure to provide flexibility for unforeseen circumstances, there is a risk this will not be achieved in the medium term.</p>	<p>balances will still be maintained at over 8% of net expenditure by the end of this three-year period.</p> <ul style="list-style-type: none"> The use of reserves recognises the challenging financial environment facing constituent authorities, as well as the level of balances set aside thus far from prior year underspends to fund the recommendations of the Barclay review. 	<p>31 March 2022. It is anticipated that reserves will continue to be used until 2024/25 to achieve financial balance. However, a prudent use of reserves is planned, and management will look to maintain reserves at a minimum of five per cent of net expenditure.</p> <p>Conclusion: RVJB continues to operate in a challenging financial climate, with pressures in delivering existing services with the current levels of resources. Management continues to review options and resources for the delivery of future services.</p>

Financial performance in 2021/22

30. The Joint Board approved the 2021/22 budget in February 2021. Total budgeted expenditure was £2.881 million and total budgeted income was £2.801 million, with a planned drawdown of £80,000 of reserves to achieve a break-even position. Income also included £0.455 million of Barclay requisition that is passed on to RVJB from the member councils.

31. Actual outturn in 2021/22 was total expenditure of £2.805 million and total income of £2.802 million, resulting in a deficit of £3,084. The main factors regarding variances are set out in the Management Commentary in the annual accounts.

Short term financial planning

32. The Joint Board approved the 2022/23 budget in March 2022. Total budgeted expenditure was £2.952 million and total budgeted income was £2.861 million, with a planned drawdown of £91,000 of reserves to achieve a break-even position.

Medium to long term financial planning

33. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

34. As part of the budget setting process, revenue estimates are prepared for a three-year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

35. The audited annual accounts for 2021/22 confirm a useable reserve balance of £672,055. Financial Planning anticipates the use of reserves each year until 2024/25 to achieve financial balance and maintain sustainable requisition increases. However, a prudent use of reserves has been planned by management and an unallocated reserve balance of five per cent of net expenditure will continue to be maintained to provide financial flexibility for unforeseen circumstances.

36. From the work carried out, we have concluded that RVJB has adequate financial planning arrangements in place. Cost pressures are expected to arise in the medium term. However, the financial planning arrangements in place have allowed management to plan for these pressures and ensure necessary actions are taken when required.

Annual Governance Statement

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

38. We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

National performance audit reports

39. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2021/22.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Related Parties</p> <p>RVJB's related parties note was reviewed against the requirements of IAS 24 and Audit Scotland's Good Practice Note. Management has updated and expanded the disclosure within the annual accounts. The process could be further improved by management.</p> <p>Risk – not all related party transactions are identified and reflected within the financial statements.</p>	<p>The process could be further improved by management:</p> <ul style="list-style-type: none"> conducting a review of the register of interest of each Joint Board member against a year-end transaction listing to identify any related party disclosures consideration of the interests of close persons or family members of those related to RVJB in the identification of related parties adding a link in the note to signpost to Joint Board members Register of Interests <p>Paragraph 22</p>	<p>A full review of related parties disclosures will be undertaken in light of these recommendations and the best practice note and the 2022/23 Related Parties Note updated accordingly.</p> <p>Responsible officer: Treasurer</p> <p>Agreed date: 31 March 2023</p>
<p>2. Pension Reconciliation</p> <p>There is a difference in the employer contribution figure recognised in RVJB's ledger and the Hyman's Robertson IAS 19 report of £8,259.</p> <p>Management advised the difference is as a result of payroll operating on a cash basis whilst the ledger is on an accrual basis. However no reconciliation has been undertaken.</p> <p>Risk - management cannot gain sufficient assurance as to the reason for pension contribution differences.</p>	<p>Management should perform a reconciliation for pension contributions at year-end that identifies reconciling differences in order to gain sufficient assurance over the pension figures disclosed per the Hyman's Robertson report/accounts.</p> <p>Paragraph 22</p>	<p>This reconciliation has now been prepared for 2021/22 and added to routine year-end work around pension disclosures.</p> <p>Responsible officer: Treasurer</p> <p>Agreed date: 31 March 2023</p>

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Renfrewshire Valuation Joint Board

2021/22 Annual Audit Report

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

www.audit-scotland.gov.uk/accessibility



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk