



Scott-Moncrieff  
business advisers and accountants

# Lothian Valuation Joint Board

2016/17 Annual Audit Report to members of  
Lothian Valuation Joint Board and the Controller  
of Audit

September 2017

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# Key messages

## Annual accounts

The Lothian Valuation Joint Board annual accounts for the year ended 31 March 2017 are due to be approved by the Board on 18 September 2017.

We intend to report within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters and that there are no matters which we are required to report by exception.

The annual accounts and supporting schedules were of a good standard. Our thanks go to management and staff for their assistance with our work.

## Wider scope

As outlined in our External Audit Plan, our annual audit work in respect of our wider scope audit responsibilities was restricted to:

- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the Annual Governance Statement; and
- Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

Our conclusions are set out below:

## Governance statement

- We have reviewed the Annual Governance Statement and have found that it is consistent with the accounts and has been prepared in accordance with Delivering Good Governance in Local Government: Framework (2016).
- The Board has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any significant weaknesses or governance issues in the Board's accounting and internal control systems.

## Financial sustainability

- The Board has arrangements in place for short term (1year) financial planning, with budgets aligned to its Corporate and Service Plan. However, the Board does not prepare medium to long-term financial plans due to the uncertainty over future funding allocations. This is being addressed through a Transformation and Cultural Change Programme. Longer term financial plans are anticipated from 2018/19 onwards.

## Key facts

- The Board spent £6.692million on the delivery of services in 2016/17.
- A £262,000 underspend was reported in 2016/17 against a revised revenue budget of £6.118million.
- The balance on general reserves has increased to £1.011million from £0.749million in 2015/16.
- In February 2017, the Board approved a revenue budget of £6.118million for the 2017/18 financial year. The budget is to be funded from constituent council requisitions.

## Conclusion

This report concludes our audit for 2016/17. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

**Scott-Moncrieff**  
**September 2017**

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# Introduction

# Introduction

1. This report summarises the findings from our 2016/17 audit of the Lothian Valuation Joint Board (“the Board”). The scope of our audit was set out in our External Audit Plan which was presented to the Board in April 2017.
2. The core elements of our audit work in 2016/17 have been:
  - an audit of the 2016/17 annual accounts; and
  - consideration of the Board’s arrangements for securing financial sustainability.
3. The Board is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses 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 of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. We give each recommendation a grading to help the Board assess their significance and prioritise the actions required.
5. We would like to thank management and staff who have been involved in our work for their co-operation and assistance during our audit work.
7. This report is addressed to both the Board and the Controller of Audit and will be published on Audit Scotland’s website. [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
8. We welcome any comments you may have on the quality of our work and this report via: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX).

## Adding value through the audit

6. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Board through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision-making and more effective use of resources.

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# Annual accounts

# Annual accounts

## Introduction

9. The Board's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. The respective responsibilities of the Board and the auditor in relation to the annual accounts are outlined in Appendix 2.
10. In this section we summarise the findings from our audit of the 2016/17 annual accounts.

## An unqualified audit opinion on the annual accounts

11. The annual accounts for the year ended 31 March 2017 are due to be approved by the Board on 18 September 2017. We intend to report, within our independent auditor's report:
  - an unqualified opinion on the annual accounts; and
  - an unqualified audit opinion on other prescribed matters.

## Good administrative processes were in place

12. We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to management and staff at the Board and City of Edinburgh Council for their assistance.

## Our assessment of risks of material misstatement

13. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 1 below.

## Exhibit 1 – Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 1. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

*Excerpt from the 2016/17 External Audit Plan*



14. We have not identified any indications of management override in the year. We have reviewed the Board's accounting records, obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed the journal entries processed in the period and around the year-end.
15. During our review of the financial controls processes however, we did note a lack of segregation of duties in respect of the posting of journals. Journals are prepared and posted without any evidence of secondary review or authorisation. While our audit work did not identify any indications of management override, we recommend that a review process is put in place over the preparation and posting of journals to the ledger.

*Action plan point 1*



## Exhibit 1 – Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 2. Revenue recognition

Under ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Board could adopt accounting policies or recognise income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

*Excerpt from the 2016/17 External Audit Plan*

16. While we did not suspect incidences of material fraud and error, we evaluated each type of revenue transaction and documented our conclusions. We have reviewed the controls in place over revenue accounting and found them to be sufficient. We have evaluated key revenue transactions and streams, and carried out testing to confirm that Board's revenue recognition policy is appropriate and has been applied reasonably.

### Our application of materiality

17. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.
18. Our initial assessment of materiality for the annual accounts was £90,000. We revised our assessment, following receipt of the unaudited annual accounts to £115,000 and it remained at this level throughout our audit. Our revised assessment of materiality is set with reference to gross expenditure. We consider this to be a principal consideration for the users of the accounts when assessing the performance of the Board.
19. We set a level of performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the following table:

Area risk assessment	Weighting	Performance materiality
High	45%	£51,750
Medium	55%	£63,250
Low	70%	£80,500

20. We agreed with the Board that we would report all audit differences in excess of 5% of the overall materiality figure, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We would also report to the Board on disclosure matters that we identified when assessing the overall presentation of the annual accounts.
21. We are pleased to report that there were no material adjustments to the annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of accounts.
22. We also identified one potential adjustment which is not considered material to the annual accounts (paragraph 29). This has been discussed with management and is detailed within an appendix to the letter of representation. The letter covers a number of issues and we have requested that it be presented to us at the date of signing the annual accounts.

## An overview of the scope of our audit

23. The scope of our audit was detailed in our External Audit Plan, which was presented to the Board in April 2017. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Board. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
24. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
25. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, are completed by the audit fieldwork team and the results reviewed by the audit management team. In performing our work, we apply the concept of materiality, which is explained earlier in this report.

## Legality

26. We planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual accounts. Our audit procedures include the following:
  - Reviewing minutes of relevant meetings;
  - Enquiring of senior management and the Board's solicitors the position in relation to litigation, claims and assessments; and
  - Performing detailed testing of transactions and balances.
27. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

## Other matters identified during our audit:

28. During the course of our audit, we noted the following:

## Depreciation and amortisation policy

29. The Board's current accounting policy is not to provide for depreciation or amortisation in the year of an asset's purchase. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), depreciation/amortisation should be charged over an asset's useful life and starting from when the asset is available for use. The depreciation and amortisation charge in the Board's 2016/17 annual accounts is understated by approximately £3,300. This has been categorised as an unadjusted difference and detailed in the letter of representation. The annual accounts policy states that from 1 April 2017 depreciation will be provided for in the year of acquisition.

## The Local Authority Accounts (Scotland) Regulations 2014

30. As part of our audit, we reviewed the Board's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10<sup>1</sup> as they relate to the annual accounts. Overall, we concluded that appropriate arrangements are in place to comply with these Regulations.

## Management commentary

31. We are satisfied that the information given in the management commentary is consistent with the accounts and has been prepared in accordance with the statutory guidance issued under the Local Government Scotland Act 2003.

## Remuneration report

32. Our independent auditor's report confirms that the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

## Annual governance statement

33. The Treasurer of the Board has confirmed that in their opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the Board's systems of internal control.

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<sup>1</sup> Regulations 8 to 10 relates to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

34. We have reviewed the annual governance statement and have found that it is consistent with the accounts and has been prepared in accordance with Delivering Good Governance in Local Government: Framework (2016).

#### Internal audit

35. The Board's internal audit function is provided by City of Edinburgh Council's Internal Audit service. We have taken cognisance of the work of internal audit in forming our opinion on the appropriateness of the disclosures in the annual governance statement.

#### Accounting and internal control systems

36. The Board has adequate systems in place to record, process, summarise and report financial and other relevant data. While we have not identified any significant weaknesses or governance issues in the accounting and internal control systems, we did identify two areas for improvement during our final audit. We outline the issues identified and our recommendations at Appendix 1.

#### Action plan points 1-2

### Follow up of prior year recommendations

37. As part of our audit, we have followed up on the recommendations raised by the previous external auditors in 2015/16. The table below indicates that four recommendations were raised and all are either complete or partially complete. Further detail on these recommendations is included in the action plan at Appendix 1.

Number of recommendations raised in 2015/16	Complete	Partially Complete
4	3	1

### Qualitative aspects of accounting practices and financial reporting

38. We have considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our findings are summarised as follows:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the Board.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Estimates have been made in relation to property, plant and equipment and pensions. We consider the estimates made, and the related disclosures, to be appropriate to the Board.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the management commentary or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the accounts.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit.

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# Financial sustainability

# Financial sustainability

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

## Overall conclusion

40. The Board has arrangements in place for short term (1 year) financial planning. Budgets are aligned to the Corporate and Service plan.
41. The Board has recognised that there is a high degree of uncertainty over future funding allocations and therefore has not prepared medium or long term financial plans.
42. The Board has however recognised the importance of establishing a sustainable financial position. A major review titled the “Transformation and Cultural Change Programme” is underway.
43. One of the review’s key outcomes is ‘*placing the organisation on a financially sustainable platform for the future delivery of services*’. Longer term financial plans will be in place from 2018/19 onwards.

## The Board’s financial performance in 2016/17

44. The Comprehensive Income and Expenditure Statement for 2016/17 shows that the Board spent £6.692million on the delivery of services, resulting in an accounting deficit of £145,000. However, the accounting surplus includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2016/17 Code), and which are subsequently adjusted to show their impact on reserves.
45. Taking account of these adjustments, the Board reported a surplus of £262,000 in 2016/17. The Board has transferred this to the general reserve pending a decision on its use, including whether to refund this to constituent councils.
46. The reported surplus was mainly due to the achievement of savings within employee costs, premises and supplies and services. The cost of Individual Electoral Registration (IER) was fully funded by grant. The Board also received

a one-off grant in respect of the EU Referendum which was underspent by £55,000.

## Revenue performance against budget

47. In February 2016, the Board approved a revenue budget of £6.482million to be funded from constituent council requisitions (£6.118million) and a drawdown from reserves (£0.364million). The drawdown from reserves was budgeted for to fund additional IER costs where funding confirmations had yet to be received. Subsequent notification of funding to meet these costs was received and the budget was revised to reflect the fact that no drawdown from reserves would be required.
48. As shown in Exhibit 2, the Board reported a £262,000 underspend against a revised revenue budget of £6.118million.

## General reserves

49. During 2015/16, the Board established a general reserve in order to enable any unspent funds to be carried forward and used to meet expenditure in future years, giving the Board greater flexibility over the use of its funding.
50. The general reserve balance of £0.749million at 1 April 2016 increased to £1.011million at 31 March 2017.
51. The Board does not currently have a policy in place over the level and application of its general reserve.
52. At present, a general reserve is maintained to meet any future costs resulting from changes to IER funding from the Cabinet Office as well as any costs resulting from the implementation of its Transformation and Change Programme.
53. The Board should develop and formally approve a reserves policy, which outlines the purpose and level of general reserve that should be maintained.

**Action plan point 3**

## Exhibit 2: Revenue performance against budget

	Revised Budget £'000	Actual £'000	Variance £'000
Core expenditure	6,164	6,031	(133)
IER expenditure	405	475	70
<b>Total Expenditure</b>	<b>6,569</b>	<b>6,506</b>	<b>(63)</b>
Core income	(46)	(175)	(129)
IER Income	(405)	(475)	(70)
<b>Total Income</b>	<b>(451)</b>	<b>(650)</b>	<b>(199)</b>
<b>Total</b>	<b>6,118</b>	<b>5,856</b>	<b>(262)</b>

Source: Annual accounts for the year ended 31 March 2017

### Looking forward

54. The Board's 2017/18 revenue budget was approved in February 2017. The approved revenue budget (£6.118million) is to be met from constituent council requisitions. The constituent council requisitions have remained at the same level since 2012/13 with cost pressures being met by reductions in other overheads. The annual budget is aligned to the Corporate and Service Plan.
55. In February 2017, the Board also approved to refund constituent councils a total of £0.184million. This was payable in 2017 and is reflected in the 2017/18 revenue budget.
56. The Board has recognised that there is a high degree of uncertainty over future budget allocations and therefore has not prepared medium or long term financial plans. The Board does however, due to the statutory and regulated nature of services provided and frequency of these have defined medium and long term service plans.
57. In his 2017/18 Budget Report, the Assessor highlighted the importance of financial sustainability. The report acknowledged that both the Treasurer and recent Audit Scotland reports had identified the requirement for the Board to establish a sustainable fiscal position. There is a commitment, within the report, to investigate and test the current business model in order to ensure it will meet future needs.
58. The Assessor has initiated a service review; "the Transformation and Cultural Change Programme". The review aims to modernise the organisation through consideration of three principle areas: process improvement, cultural change and customer focus.
59. The terms of reference of the programme were presented to the Board in August 2017. One of the review's key outcomes is '*placing the organisation on a financially sustainable platform for the future delivery of services*'. Longer term financial plans will be in place for 2018/19 onwards.
60. The review will run throughout 2017/18 and the Board will receive progress updates at each meeting.

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## Appendices



# Appendix 1: Action plan

Our action plan details the control weaknesses and opportunities for improvement that we have identified during our audit. The action plan details the officer responsible for implementing the recommendation and an implementation date. The Board should assess the recommendation for wider implications before approving the action plan.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work and may not be all that exist. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvement in management arrangements. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Action plan grading structure

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

<b>Grade 5</b>	Very high risk exposure – major concerns requiring Board attention
<b>Grade 4</b>	High risk exposure – material observations requiring senior management attention
<b>Grade 3</b>	Moderate risk exposure – significant observations requiring management attention
<b>Grade 2</b>	Limited risk exposure – minor observations requiring management attention
<b>Grade 1</b>	Efficiency / housekeeping point

## Recommendations from 2016/17

Action plan point	Issue & Recommendation	Management Comments
<b>1. Authorisation of journals</b>	<p><b>Observation</b></p> <p>Our review of the journals environment found that there was a lack of segregation of duties over the posting of journals. Journals are prepared and posted without any secondary review or authorisation. Journals can be used to override controls and create fraudulent errors therefore, it is essential appropriate controls are in place</p> <p><b>Recommendation</b></p> <p>While our audit review in respect of the 2016/17 financial year did not identify any indications of management override we recommend that a review process is put in place for the preparation and posting of journals to the ledger.</p>	<p>Expenditure and Income monitoring reports are prepared for the Valuation Board monthly. Any exceptional or unanticipated expenditure or income would be identified through this process. To enhance control, the monthly monitoring report will include details of all journal entries processed, for review, with immediate effect.</p> <p>Expenditure and income to date and annual forecast is reported to the Board on a quarterly basis.</p> <p>Strict separation of financial controls, segregation of duties and authorisation levels exist for all expenditure transactions of the Board.</p> <p><b>Action owner:</b> Treasurer/Interim Assessor</p> <p><b>Due Date:</b> immediate</p>
<b>Rating</b>		
<b>Grade 3</b>		
<b>Paragraph ref</b>		
<b>15</b>		

Action plan point	Issue & Recommendation	Management Comments
<b>2. Registers of Interests</b>	<p><b>Observation</b></p> <p>From our review of the Members Registers of Interests, we noted that a number of the declaration forms have not been updated on a regular basis. Upon further review, we also identified a number of members interests have not been declared. These however did not result in undisclosed related parties in the Board's annual accounts.</p> <p><b>Recommendation</b></p> <p>While the Board rely on constituent councils to maintain up to date Registers of Interests for members, we recommend that the Board gain assurance that this process is occurring and remind members of the importance of updating interests on a regular basis.</p> <p>The Board should seek to maintain their own records of members' interests if assurances cannot be established.</p>	<p>This shall be discussed with the Convenor of the Board with the intention that the matter be formally raised with all Board members on the 20 November 2017.</p> <p><b>Action owner:</b> Interim Assessor/Clerk to the Lothian valuation Joint Board</p> <p><b>Due Date:</b> 20 November 2017</p>
<b>Rating</b>		
<b>Grade 2</b>		
<b>Paragraph ref</b>		
<b>37</b>		

Action plan point	Observation & recommendation	Management comments
3. Reserves Policy	<p><b>Observation</b></p> <p>The Board does not currently have a policy in place over the level and application of its general reserve.</p> <p><b>Recommendation</b></p> <p>The Board should develop and formally approve a reserves policy, which outlines the purpose and level of general reserve that should be maintained.</p>	<p>A report with recommendations will be submitted to the Board seeking approval in February 2018.</p> <p><b>Action owner:</b> Interim Assessor/Treasurer</p> <p><b>Due Date:</b> February 2018</p>
Rating		
Grade 3		
Paragraph ref		
53		

## Recommendations from 2015/16 (as reported by Audit Scotland)

Issue & Recommendation	Management Comments	September 2017 update
<p><b>1. Car Lease Creditor</b></p> <p>The financial statements include a car lease creditor of £6,000 at 31 March 2016. An initial review by officers indicates that the debtor balance relating to current lease agreements is approximately £30,000, and the difference relates to the cumulative effect of insurance and interest transactions, which should have been posted to the income and expenditure account over a number of years.</p> <p><b>Recommendation</b></p> <p>Further work will be required by officers to fully review all relevant transactions and identify the necessary adjustments to current and prior year balances.</p>	<p>Work is being undertaken to fully review all relevant transactions and make the necessary adjustments within the 2016/17 annual accounts, including the 2015/16 prior-year balances.</p> <p><b>Action owner:</b> Treasurer</p> <p><b>Due Date:</b> 31 December 2016</p>	<p><b>Action complete</b></p> <p><b>Audit update:</b></p> <p>Transactions were reviewed and the necessary adjustments were made within the 2016/17 annual accounts.</p>

Issue & Recommendation	Management Comments	September 2017 update
<p><b>2. Financial Planning</b></p> <p>The Board recognises that it needs to move towards a sustainable budget position for 2017/18 and is working to develop options to achieve this.</p> <p><b>Recommendation</b></p> <p>The Board should move towards developing a longer-term financial planning framework, which considers a range of options and scenarios around service delivery.</p>	<p>The provision of funding on an annual basis coupled with meeting the requirements of new legislation, that places additional pressure on an already stretched resource, makes the creation of a longer term and meaningful financial planning framework difficult. In addition ongoing uncertainties surrounding the future of key service delivery plan in combination with a supporting financial framework a high-risk activity. The Board's constant aim is to provide a high quality service within the annual budget allocation provided and it shall endeavour to achieve this in both the short and longer term.</p> <p><b>Action owner:</b> Treasurer</p> <p><b>Due Date:</b> 31 December 2016</p>	<p><b>Partially complete</b></p> <p>This action is being addressed through the Transformation and Cultural Change Programme with the intention of having longer-term financial plans in place for 2018/19 onwards.</p> <p><b>Action owner:</b> Interim Assessor</p> <p><b>Due Date:</b> April 2018</p>

Issue & Recommendation	Management Comments	September 2017 update
<p><b>Local Code of Corporate Governance</b></p> <p>The most recent review of the Board's Local Code was undertaken in 2012/13.</p> <p><b>Recommendation</b></p> <p>The local code should be reviewed and updated as appropriate.</p>	<p>A review of the Local Code of Corporate Governance shall be undertaken and any necessary updates actioned.</p> <p><b>Action owner:</b> Depute Assessor</p> <p><b>Due Date:</b> 31 July 2017</p>	<p><b>Action complete</b></p> <p>The Assessor has reviewed local Code of Corporate Governance and presented to the Board in August 2017 that no amendments were required following the review.</p>

Issue & Recommendation	Management Comments	September 2017 update
<p><b>Council Tax and Valuation Roll (non domestic rates) systems</b></p> <p>Reconciliations of the input and output control totals relating to the council tax register and valuation roll updates and periodic checks between the council tax register/ valuation roll and the Register of Sasines were performed but not adequately evidenced during the period from January to March 2016.</p> <p><b>Recommendation</b></p> <p>The above checks should be performed on a weekly basis and evidenced appropriately.</p>	<p>This recommendation has been actioned and the advised evidence requirement initiated.</p> <p><b>Action owner:</b> Depute Assessor</p> <p><b>Due Date:</b> implemented April 2016</p>	<p><b>Action implemented in 2016</b></p>

# Appendix 2: Respective responsibilities of the Board and the Auditor

## Responsibility for the preparation of the annual accounts

The Board is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Treasurer has been designated as that officer.

The Treasurer is responsible for the preparation of the annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

### In preparing the annual accounts, the Treasurer is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with legislation; and
- complying with the Code.

### The Treasurer is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditor responsibilities

### We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the body as at 31 March 2017 and of the its surplus for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code;
- they 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 part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- 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 Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### We are also required to report, if in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with 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.

### Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money. The Code recognises that full application of its requirements may be impractical or inappropriate due to the nature or size of the audited body.

We have concluded that the full application is not appropriate due to the size of the Board. As part of our annual audit we consider and report against:

- appropriateness of the disclosures in the governance statement; and
- financial sustainability of the body and the services that it delivers over the medium to longer term.

### Independence

We are required by International Standards on Auditing to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that we have complied with the Ethical Standards. In our professional judgement the audit process has been independent and our objectivity has not been compromised. In particular, there have been no relationships between Scott-Moncrieff and the Board or senior management that may reasonably be thought to bear on our objectivity and independence.



**Scott-Moncrieff**  
business advisers and accountants