

## Notice of Meeting and Agenda

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**Monday 16 March 2015 at 10:00am**  
**in the City Chambers, High Street, Edinburgh**

**1 Order of Business**

Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

**2 Declaration of Interests**

Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

**3 Minute of the Lothian Valuation Joint Board** of 9 February 2015  
(circulated) – submitted for approval as a correct record

**4 Budget 2014-2015 – Projected Outturn** - report by the Treasurer (circulated)

**5 Annual Audit Plan 2014-2015** – report by Audit Scotland (circulated)

**6 Annual Investment Strategy 2015-2016** – report by the Treasurer (circulated)

**7 Assessor's Quarterly Progress Report** – report by the Assessor and Electoral Registration Officer (circulated)

**Sue Bruce**  
Chief Executive and Clerk

## Membership

### **The City of Edinburgh Council (9)**

Councillor Bagshaw  
Councillor Doran  
Councillor Ricky Henderson  
Councillor Howat  
Councillor Keil  
Councillor McInnes  
Councillor McVey  
Councillor Rust  
Councillor Work (Convener)

### **Midlothian Council (2)**

Councillor Bryant  
Councillor Russell

### **West Lothian Council (3)**

Councillor King  
Councillor McCarra  
Councillor Robertson (Vice-Convener)

### **East Lothian Council (2)**

Councillor Gillies  
Councillor Hampshire

## Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Lesley Birrell | Governance Service - Committee Services | Legal, Risk and Compliance | Corporate Governance | City of Edinburgh Council | Business Centre 2:1 | Waverley Court | 4 East Market Street | Edinburgh | EH8 8BG | tel 0131 529 4240 | email [lesley.birrell@edinburgh.gov.uk](mailto:lesley.birrell@edinburgh.gov.uk)
- (2) A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the Main Reception Office, City Chambers, High Street, Edinburgh.
- (3) The agenda, minutes and public reports for this meeting can be viewed online by going to [www.edinburgh.gov.uk/meetings](http://www.edinburgh.gov.uk/meetings). Members and Officers of the City of Edinburgh Council can also view them by going to the Orb home page and clicking on Committee Business.



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# Lothian Valuation Joint Board

Edinburgh, 9 February 2015

**Present:**

**City of Edinburgh Council** – Councillors Work (Convener), Bagshaw, Doran, Howat, Keil, McInnes, McVey and Rust.

**East Lothian Council** – Councillor Gillies.

**Midlothian Council** – Councillor Russell.

**West Lothian Council** – Councillors King and McCarra.

## 1 Minute

**Decision**

To approve the minute of the Lothian Valuation Joint Board of 17 November 2014 as a correct record subject to the amount of underspend detailed in the second paragraph of item 3 being amended to read £3,000.

## 2 Revenue Budget 2015-2016

The Board's revenue budget for 2015/16 was presented. A detailed risk analysis had been undertaken as part of the budget process which had identified a number of potential risks.

The budget for the past three years for the Lothian Valuation Joint Board had been held at £6.118m. The Board had an established track record of managing expenditure pressures within its budgetary provision. A further £0.081m of pressures was being contained within the proposed 2015/16 budget. However, there was a significant risk around the Board's ability to continue to contain pressures beyond 2015/16 following four years of a 'flat cash' requisition. The budget pressure contained for this period totalled £0.467m which would represent a budget cut of just under 8%. Close monitoring of the financial position of the Board would be maintained taking account of financial risks inherent in the budget process.

**Decision**

- 1) To approve the budget for 2015/16 and authorise the Treasurer to requisition the individual constituent Councils for amounts as follows:

Constituent Council	Requisition 2015/16
Edinburgh	£3,743,604

Lothian Valuation Joint Board  
9 February 2015

Constituent Council	Requisition 2015/16
Midlothian	£560,409
East Lothian	£669,309
West Lothian	£1,144,678
<b>Total</b>	<b>£6,118,000</b>

- 2) To note that a further update on the potential financial impact to the Board of Individual Electoral Registration would be reported to a future meeting in 2015/2016.
- 3) To note the risks identified in paragraph 5 of the Treasurer's report.  
(Reference – report by the Treasurer, submitted)

### **3 Assessor's Budget Report 2015-2016**

The Assessor provided an overview of the expected costs, income and risk to the Board within the budget provision for the financial year 2015-2016.

The Board's Corporate Plan and Service Plan for 2015-2016 were also submitted.

#### **Decision**

To note the report.

(Reference – report by the Assessor and Electoral Registration Officer, submitted)

### **4 Future Meeting Arrangements – June 2015 to June 2016**

#### **Decision**

To approve the schedule of meetings for the period to June 2016 as follows:

Monday 22 June 2015 (Unaudited Accounts)	10:00am	Edinburgh
Monday 7 September 2015	10:00am	Edinburgh
Monday 16 November 2015	10:00am	Edinburgh
Monday 8 February 2016 (Revenue Budget)	10:00am	Edinburgh
Monday 11 April 2016	10:00am	Edinburgh
Monday 20 June 2016 (Unaudited Accounts)	10:00am	Edinburgh

(Reference – report by the Chief Executive and Clerk, submitted)

## Budget 2014/15 – Projected Outturn

16<sup>th</sup> March 2015

### 1 Purpose of report

This report summarises the projected revenue budget outturn position to 31<sup>st</sup> March 2015, based on the position at period ending 31<sup>st</sup> January 2015. The report has been prepared in consultation with the Assessor.

### 2 Main Report

#### Projected Revenue Outturn 2014/15

2.1 The table below compares projected revenue outturn 2014/15 with the budget. The forecast variance, based on the position at 31<sup>st</sup> January 2015, is an under spend of £121k. The table below details forecasts against the core revenue budget and Individual Electoral Registration (IER) income/expenditure that is subject to specific grant funding.

	Core Budget			IER Budget			Total		
	Budget	Forecast	Variance	Budget	Forecast	Variance	Budget	Forecast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>									
Employee costs	4,562	4,551	(11)	0	154	154	4,562	4,705	143
Premises costs	629	611	(18)	0	4	4	629	615	(14)
Transport costs	103	111	8	0	4	4	103	115	12
Supplies & Services	695	694	(1)	0	330	330	695	1,024	329
Third Party Payments	95	109	14	700	326	(374)	795	435	(360)
Support Services	80	65	(15)	0	0	0	80	65	(15)
<b>Gross Expenditure</b>	<b>6,164</b>	<b>6,141</b>	<b>(23)</b>	<b>700</b>	<b>818</b>	<b>118</b>	<b>6,864</b>	<b>6,959</b>	<b>95</b>
<b>Income</b>									
Sales, Fees & Charges	(43)	(141)	(98)	0	0	0	(43)	(141)	(98)
IER Grant	0	0	0	(700)	(818)	(118)	(700)	(818)	(118)
Interest	(3)	(3)	0	0	0	0	(3)	(3)	0
<b>Total income</b>	<b>(46)</b>	<b>(144)</b>	<b>(98)</b>	<b>(700)</b>	<b>(818)</b>	<b>(118)</b>	<b>(746)</b>	<b>(962)</b>	<b>(216)</b>
<b>Net Expenditure</b>	<b>6,118</b>	<b>5,997</b>	<b>(121)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,118</b>	<b>5,997</b>	<b>(121)</b>

#### Forecasts to 31<sup>st</sup> March 2015

- 2.2 At this stage, the projected outturn against the **core budget** indicates net forecast expenditure of £5.997m which would result in an under spend of £121k.
- 2.3 The forecast reported to the Board in November 2014 was £6.115m (prepared based on cost information at 31<sup>st</sup> October 2014). The resulting reduction of £0.118m is principally due to the Scottish Government agreeing to refund Scottish Independence Referendum (SIR) costs of £110k which were subsumed within the forecasts reported previously. These costs are mainly in relation to staffing (£74k) and postage (£36k).

2.4 It is anticipated that all IER expenditure incurred 2014/15 will be fully funded by Grant.

2.5 The principal reasons for the variance against the core budget are as follows:

(a) **Employee cost - under spend £11k**

The forecast includes additional costs incurred in relation to the Scottish Independence Referendum as detailed in paragraph 2.3. These costs have been off-set by savings generated through vacant post management and staff turnover.

(b) **Premises costs - under spend £18k**

This is mainly due to a projected under spend on utilities costs.

(c) **Transport costs – over spend £8k**

General increase associated with external survey work.

(d) **Supplies and Services – under spend £1k**

Additional postage costs were incurred as detailed in paragraph 2.3. These have been managed through general budget under spends over a number of headings, mainly operational and computer equipment.

(e) **Third Party Payments - over spend £14k**

This is a result of a higher than anticipated activity of the Valuation Appeals Committee.

(f) **Support Services – under spend £15k**

The forecast is based on the latest information available; the budget was based on an estimate at Feb 2014.

(g) **Income (sales, fees and charges) – over recovery £98k**

As detailed in paragraph 2.3, a recovery of £110k costs in relation to the SIR has now been forecast. The costs associated are included within employee costs and supplies and services. Excluding this one-off income, an under-recovery of £12k has been forecast based on current income. This could vary depending on sales of the electoral register which occur during the final quarter of the financial year.

**Individual Electoral Registration – funding available 2014/15; £818k**

2.6 The table below details the one-off funding available for IER. The current forecast assumes that IER grant will either be fully spent during 2014/15 or any balance carried forward in to 2015/16.

Income	£'000
IER initial grant funding 2014/15	594
IER additional funding 14/15 (mainly Household Notification Letter)	107
IER Capital Hardware Funding 2014/15	26
IER Grant funding carried from 2013/14	80
Shared Services - IER costs recharged	11
<b>Total</b>	<b>818</b>

2.7 In terms of IER funding going forward, the Cabinet Office has indicated that a further IER Grant of £323k will be paid in 2015/16 so at this stage no budget pressure is assumed for 2015/16. As advised at the last Board meeting, the longer-term financial pressure arising from IER from 2016/17 onwards is difficult to predict without the ability to fully assess the 'business as usual' impact over a full year. Further work will be carried out to enable an assessment to be made during 2015/16.

- 2.8 Voluntary Early Release (VERA) and Redundancy Schemes were approved by the Board at its meeting on 4th February 2011.
- 2.9 In terms of Section 58 of the Local Government (Scotland) Act 1973, the Board has no specific power to retain reserves; however the Board has previously approved the retention of unspent funding contributions from constituent councils to meet future costs associated with early release measures, and, subject to further Board approval, any future unforeseen costs. The balance available currently stands at £421k.
- 2.10 The Board approved a flat-cash budget of £6.118m for 2015/16 in February 2015. However, the longer-term funding assumptions for local authorities beyond 2015/16 and the financial impact of IER on the Board are subject to considerable uncertainty. The options available to the Board to address these challenges will be subject to review during 2015/16, however at this stage it is anticipated that any unspent requisition for 2014/15 will be transferred to the balance available to meet future costs associated with early release measures. The position will be reviewed when the 2014/15 audited financial statements are presented to the Board.

### **3 Conclusions**

- 3.1 At this stage, there is a projected net under spend of £121k relating to Financial Year 2014/15.
- 3.2 The Board has no power to establish a general reserve; however a creditor has been set-aside to cover the cost of staffing early release measures. The balance available to the Board at 31<sup>st</sup> January 2015 is £421k.

### **4 Recommendations**

- 4.1 The Board is recommended to note the projected outturn position for 2014/15.

**Hugh Dunn,  
Treasurer.**



# **Lothian Valuation Joint Board**

# **Annual Audit Plan 2014/15**

Prepared for Lothian Valuation Joint Board

March 2015





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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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## Key contacts

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# Summary

## Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in the Lothian Valuation Joint Board's financial statements.
2. This report summarises the key challenges and risks facing the Lothian Valuation Joint Board ("the Board") and sets out the audit work that we propose to undertake in 2014/15. Our plan reflects:
  - the risks and priorities facing the Board
  - current national risks that are relevant to local circumstances
  - the impact of changing international auditing and accounting standards
  - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
  - issues brought forward from previous audit reports.

## Summary of planned audit activity

3. Our planned work in 2014/15 includes:
  - an audit of the financial statements and provision of an opinion on whether:
    - they give a true and fair view of the state of affairs of the Lothian Valuation Joint Board as at 31 March 2015 and its income and expenditure for the year then ended
    - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2014 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
  - a review and assessment of the Board's governance and performance arrangements in a number of key areas including a review of the adequacy of internal audit and the governance statement.

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# Responsibilities

4. The audit of the financial statements does not relieve management or the Board, as the body charged with governance, of their responsibilities.

## Responsibility of the appointed auditor

5. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
6. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

## Responsibility of the Treasurer

7. It is the responsibility of the Treasurer, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:

- maintaining proper accounting records
- preparing financial statements which give a true and fair view of the state of affairs of the Board as at 31 March 2015 and its expenditure and income for the year then ended.

## Format of the accounts

8. The financial statements should be prepared in accordance with the Code which constitutes proper accounting practice.

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# Audit Approach

## Our approach

9. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of the Board. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
- understanding the business of the Board and the risk exposure which could impact on the financial statements
  - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
  - identifying major transaction streams, balances and areas of estimation and understanding how the Board will include these in the financial statements
  - assessing and addressing the risk of material misstatement in the financial statements
  - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.
10. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Management action being relied on for 2014/15 includes:
- comprehensive closedown procedures for the financial statements accompanied by a timetable issued to all relevant staff (the Board utilises the financial systems of the City of Edinburgh Council and follows the closedown procedures and timetables of the council)
  - clear responsibilities for preparation of financial statements and the provision of supporting working papers
  - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
  - completion of the internal audit programme for 2014/15.
11. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. Internal audit is provided by the internal audit service within the council. Overall, we concluded that the internal audit service operates in accordance with Public Sector Internal Audit

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Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

We plan to place formal reliance on aspects of the work of internal audit in the following areas, to support our audit opinion on the financial statements:

- City of Edinburgh Council systems operated on behalf of the Board, specifically accounts payable
- Audit work carried out in support of the Annual Governance Statement for inclusion with the financial statements.

## Materiality

12. International Standard on Auditing 320 provides guidance on the concept of materiality. We consider materiality and its relationship to audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
13. Based on our knowledge and understanding of the Board we have set our planning materiality at 1% of gross expenditure. For 2014/15 planning materiality is £100,000.
14. We set a lower level, known as performance materiality, when defining our audit procedures. This level depends on

professional judgement and is informed by a number of factors including:

- extent of estimation and judgement within the financial statements
  - nature and extent of prior year misstatements
  - extent of audit testing coverage.
15. For 2014/15 performance materiality has been set at £50,000. We will report, to those charged with governance, all misstatements greater than £1,000.
  16. In addition, an inaccuracy which would not normally be regarded as material in terms of monetary value may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.

## Reporting arrangements

17. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The Board is required to consider the unaudited annual accounts at a meeting by 31 August.

18. The Board must publish the unaudited accounts on its website and give public notice of the inspection period.
19. The 2014 regulations require the Board to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.
20. The Board is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The annual audit report is required to be published on the website by 31 December.
21. An agreed timetable is included at Exhibit 1 below which takes account of submission requirements and planned Board meeting dates :

**Exhibit 1: Financial statements audit timetable**

Key stage	Date
Planned Board approval of unaudited financial statements	22 June 2015
Submission of unaudited financial statements with working papers package	By 29 June 2015
Progress meetings with lead officers on emerging issues	As required during audit
Latest date for final clearance meeting with Treasurer	By 31 August 2015
Agreement of unsigned financial statements for Board agenda, and issue of combined ISA 260 report to those charged with governance and Annual Audit Report.	By 31 August 2015
Board meeting date	7 September 2015
Independent auditors report signed	By 30 September 2015

22. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to

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draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Depute Assessor, the Treasurer, internal audit and Audit Scotland's Performance Audit and Best Value Group.

23. We will provide an independent auditor's report to the Board and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. As part of streamlining our audit approach, the Annual Audit Report will be combined with the ISA 260 report.
24. All annual audit reports produced are published on Audit Scotland's website: ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)).
25. Planned outputs for 2014/15 are summarised at Appendix I.

## Quality control

26. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts

Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).

27. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Stephen O'Hagan.

## Independence and objectivity

28. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.



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29. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Board

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# Audit issues and risks

## Audit issues and risks

30. Based on our discussions with staff, attendance at Board meetings and a review of supporting information, we have identified the following main financial statements risk areas for your organisation
31. **Management override of controls:** ISA 240 highlights the unique position of management to influence the financial statements by overriding controls that otherwise operate effectively. The ability to override these controls exists in all entities and therefore represents a significant financial statements risk due to fraud.
32. We will undertake focused substantive testing of journal entries, accounting estimates and significant transactions outside the course of normal business.
33. **Accounts Payable ledger:** As part of the 2013/14 financial statements audit process, a number of adjustments were made in the accounts in respect of debit balances that had been posted erroneously to the Board's accounts payable ledger. The Board agreed to process the appropriate entries within the accounts payable ledger during 2014/15 to correct the ledger position.
34. We will review the ledger adjustments made by the Board, and perform sample testing of any remaining debit balances in the accounts payable ledger to identify whether these relate to the Board.
35. **Related Party Transactions:** The Board does not have a formal process in place for identifying and recording any external interests held by its senior officers therefore there is a risk that it may not identify all relevant related party transactions.
36. The Board has agreed to review its procedures and consider whether any improvements could be made.
37. **Cost Pressures:** As noted in the previous year's audit plan, the Board continues to manage the provision of services under a 2011/12 level flat cash budget. The Board has an established track record of managing expenditure pressures within its budgetary provision, however as at period 7 of 2014/15, the board was forecasting an outturn much closer to budget than previous years, with a projected underspend of £3,000.
38. Following recent confirmation from the Scottish Government of an additional £110,000 contribution towards referendum costs incurred by the Board, the projected year end underspend is

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now £121,000. We will continue to monitor the Board's financial position through the course of our audit.

## Summary assurance plan

39. Within these identified risk areas there is a range of more specific risks and these are summarised at Appendix II. In most cases, actions to manage these risks are either planned or already underway within the organisation. Details of the sources of assurance that we have received for each of these risks and any audit work we plan to undertake is also set out in Appendix II. In the period prior to the submission of the unaudited financial statements, we will liaise with senior officers on any new or emerging issues.

# Fees and resources

## Audit fee

40. Over the past four years, Audit Scotland has reduced audit fees by 23.5% in real terms, exceeding our 20% target. Due to further refinement of our audit approach we have been able to restrict the increase in audit fees for 2014/15 to 1% which, in real terms, represents a 0.6% reduction at 2014 price levels.
41. In determining the audit fee we have taken account of the risk exposure of the Board, the management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 29 June 2015.
42. The agreed audit fee for the 2014/15 audit of the Board is £7,090. Our fee covers:
- the costs of planning, delivering and reporting the annual audit including auditor's attendance at Board meetings
  - your organisation's allocation of the cost of national performance audits and statutory reports by the Accounts Commission
  - a contribution towards functions that support the local audit process (e.g. technical support and coordination of the

National Fraud Initiative), support costs and auditors' travel and subsistence expenses.

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

### Audit team

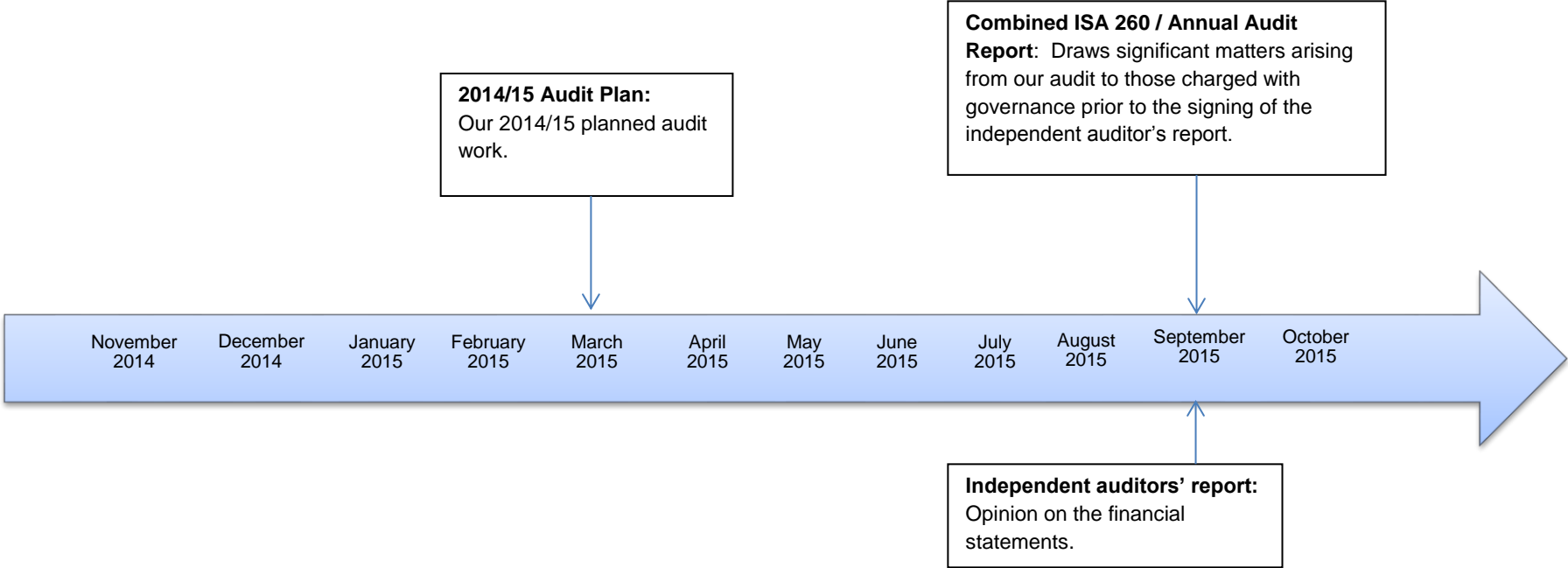
44. Stephen O'Hagan, Senior Audit Manager, Audit Services is your appointed auditor. The local audit team will be led by Carol Foster who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2. The core team will call on other specialist and support staff as necessary.

### Exhibit 2: Audit team

Name	Experience
Stephen O'Hagan, CPFA Senior Audit Manager	Stephen has over 18 years experience of public sector audit with Audit Scotland, covering local government, central government, health and the education sector. Prior to joining Audit Scotland, Stephen worked in local government finance for 5 years.
Carol Foster, ACA Senior Auditor	Carol has over 9 years experience of public sector audit with Audit Scotland, covering local and central government. Previously Carol has worked in internal audit in a Scottish local authority and the private sector on a range of public and private sector audits.
Ross McDonald Auditor	Ross joined Audit Scotland's Health and Local Government team in October 2011. He is currently exam-qualified for the ICAS professional qualification and is expected to achieve the experience requirements for full qualification in the summer of 2015.
Kenny Stewart Auditor	Kenny has been involved in public sector audit for over 20 years, working for Audit Scotland and the National Audit Office.

# Appendix I: Planned audit outputs

The diagram below shows the key outputs planned for the Board in 2014/15.



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# Appendix II: Significant audit risks

We undertake a risk-based audit whereby we focus on those areas where we have identified a risk of material misstatement in the accounts. This section shows how our audit approach focuses on the risks we have identified through our planning procedures. ISA 315 *Identifying and assessing the risks of material misstatement through understanding the entity and its environment* defines a significant risk as “an identified and assessed risk of material misstatement that, in the auditor’s judgement, requires special audit consideration.”

In this section we identify a range of risks facing the Lothian Valuation Joint Board, the related source of assurance received and the audit work we propose to undertake to secure additional assurance. The management of risk is the responsibility of the Board and its officers, with the auditor’s role being to review the arrangements put in place by management. Planned audit work, therefore, will not necessarily address all residual risks.

Audit Risk	Source of assurance	Assurance procedure
<p><b>Management override of controls</b></p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"><li>• N/A</li></ul>	<ul style="list-style-type: none"><li>• Detailed testing of journal entries</li><li>• Review of accounting estimates for bias</li><li>• Evaluating significant transactions that are outside the normal course of business.</li></ul>

Audit Risk	Source of assurance	Assurance procedure
<p><b>Accounts payable ledger</b></p> <p>A number of adjustments were made in the 2013/14 accounts in respect of debit balances that had been posted erroneously to the Board's accounts payable ledger. The Board agreed to process the appropriate entries within the accounts payable ledger during 2014/15 to correct the ledger position. There is a risk that these adjustments have not been processed properly and the accounts payable ledger is incorrectly stated.</p>	<ul style="list-style-type: none"> <li>• Corrections made to remove debit balances not relating to the Board from accounts payable ledger</li> </ul>	<ul style="list-style-type: none"> <li>• Review of processed amendments</li> <li>• Detailed testing of debit balances in accounts payable ledger</li> </ul>
<p><b>Related party transactions</b></p> <p>The Board does not have a formal process in place for identifying and recording any external interests held by its senior officers therefore there is a risk that it may not identify all relevant related party transactions.</p>	<ul style="list-style-type: none"> <li>• Review of process</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of changes to process</li> </ul>



## Annual Investment Strategy

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16 March 2015

### 1. Introduction

1.1 The purpose of this report is to propose an Investment Strategy for 2015/16.

### 2. Annual Investment Strategy

2.1 The Board currently maintains its bank account as part of the City of Edinburgh Council's group of bank accounts. Any cash balance is effectively lent to the Council, but is offset by expenditure undertaken by the City of Edinburgh Council on behalf of the Board. Interest is given on month end net indebtedness balances between the Council and the Board in accordance with the Local Authority (Scotland) Accounts Advisory Committee's (LASAAC) Guidance Note 2 on Interest on Revenue Balances (IoRB). These arrangements were put in place given administration arrangements with the City of Edinburgh Council and the relatively small investment balances which the Board has. Although the investment return will be small, the Board will gain security from its counterparty exposure being to the City of Edinburgh Council.

### 3. Recommendations

3.1 It is recommended that the Committee approves the Annual Investment Strategy in Appendix 1.

**Hugh Dunn**  
Treasurer

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#### Appendix

Appendix 1 – Annual Investment Strategy

#### Contact/tel

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# APPENDIX 1

## Annual Investment Strategy

### (a) Treasury Management Policy Statement

1. The Board defines its Treasury Management activities as:

*The management of the Board's investments, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

2. The Board regards the successful identification monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. The Board acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive measurement techniques, within the context of effective risk management.

Treasury Management is carried out on behalf of the Board by the City of Edinburgh Council. The Board therefore adopts the Treasury Management Practices of the City of Edinburgh Council. The Board's approach to investment is a low risk one, and its investment arrangements reflect this.

### (b) Permitted Investments

The Board will maintain its banking arrangement with the City of Edinburgh Council's group of bank accounts. The Board has no Investment Properties and makes no loans to third parties. As such the Board's only investment / counterparty exposure is to the City of Edinburgh Council.

### (c) Prudential Indicators

The Board has no Capital Programme and therefore also has no long term borrowing. The indicators relating to debt are therefore not relevant for the Board. By virtue of the investment arrangements permitted in (b) above, all of the Board's investments are variable rate, and subject to movement in interest rates during the period of the investment.

# ASSESSOR'S QUARTERLY PROGRESS REPORT TO THE JOINT BOARD



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16 March 2015

## 1.0 PURPOSE OF REPORT

To advise and update members as to the service overview and priorities, current issues and the future direction of the Joint Board.

## 2.0 ELECTORAL REGISTRATION SERVICE OVERVIEW AND PRIORITIES

### 2.1 Electoral Registration – Service Overview 3rd November 2014 – 1<sup>st</sup> March 2015

#### 2.1.1 Absent Voters List

As at the publication of the Registers on 10<sup>th</sup> March 2014 the number of postal voters on the list was 103,859, this increased to 123,604 for the European Union Elections and 126,225 for the Scottish Independence Referendum in September. The current number of postal voters as at the publication of the Registers on 27<sup>th</sup> February 2015 is 120,206. Across the 4 constituent councils the absent vote numbers are:-

- East Lothian 14,491
- Edinburgh 70,610
- Midlothian 12,037
- West Lothian 23,068

#### 2.1.2 Rolling Registration

Since my last report, there have been no rolling registration updates as the electoral timetable has been in canvass mode.

#### 2.1.3 Transition to Individual Electoral Registration (IER)

Individual Electoral Registration came into force on the 19<sup>th</sup> September 2014.

The IER “write out” commenced on the 15<sup>th</sup> October with 564,456 confirmation letters being sent to the Lothian electorate who had successfully matched to the Department of Work and Pensions database.

93,390 Invitations to Register (ITR) were sent to those electors whose details could not be matched asking them to submit applications to ensure they are fully registered under IER. 64,000 reminders were subsequently sent and a further 52,200 second reminders issued. Non-return of forms is costly for the Board in terms of staff time, printing and postage. We are required to carry out door to door canvassing of non-return which escalates costs considerably.

Household Enquiry Forms (HEF) were sent to 41,091 households where there were no electors registered. Similar to the stages with ITRs, 36,629 reminders were issued and 32,916 second reminders. In addition from the returned HEFs 10,052 electors were sent an Invitation to Register.

When an elector is added to the electoral register I am now required to send a letter of confirmation. 69,052 such letters have been issued following successful registration during the canvass period.

Where potential electors do not match to the DWP database I am required to request further evidence to ensure that they meet the prescribed protocols for registration under IER. A total of 4,057 request letters have been sent during the canvass period. This is a new task which is very time consuming.

The ITR form provides electors with the option to request an absent vote application form to be sent to them. 13,255 such application forms have been sent.

Our call centre has been busy since the start of the transitional canvass with 24,456 telephone calls being answered, this reached peaks of 2,040 per day on the first day of letter issue and 2,026 on the day the Household Notification Letters were issued. 11,273 emails have also been received during the canvass period with a peak of 1,394 per day reached at the start of the write out. We offered a telephone registration service and this has proved to be of assistance both to the electorate and efficiency of processing.

The canvass team carried out door to door calls throughout the canvass period seeking to achieve a registration response from non-responders. The canvassers utilised mobile technology where on line applications could be undertaken at the door with the elector. Since the start of the canvass until 27<sup>th</sup> February 2015 when the register was published the canvassers have made 38,376 door step canvass calls.

It is apparent that there has been a significant increase in electoral mailings as a result of IER. The staff have been required to work with the new electoral management system software which has caused concerns not only for Lothian staff but for all electoral practitioners throughout the UK. Improvements continue to be made and lessons learned through exchange of best practice.

The table below states the key comparators between electorate at publication of the register in 2014 and 2015.

Lothian Valuation Joint Board					
2014 and 2015 Canvass Statistics					
Council	Electorate as at 10 March 2014	Electorate as at 27 February	No. of Postal Voters as at 10 March 2014	No. of Postal Voters as at 27 February 2015	No. of Electors opting out of the Edited Register
City of Edinburgh	358,653	373,963	60,582	70,610	202,404
East Lothian	79,880	80,422	12,939	14,491	37,459
Midlothian	66,962	68,453	10,445	12,037	37,258
West Lothian	133,906	137,192	19,893	23,068	68,207
Totals	639,401	660,030	103,859	120,206	345,328

#### 2.1.4 Ward 9 Armadale and Blackridge By-election 26 March 2015 Key Dates

3<sup>rd</sup>/4<sup>th</sup> March - Dispatch of Poll Cards

6<sup>th</sup>/7<sup>th</sup> March - Dispatch of postal ballot packs (first and main issue)

10<sup>th</sup> March - Deadline for receipt of registration applications (day -12)

11<sup>th</sup> March - Deadline for receipt of new postal or postal proxy applications, 5pm (day -11)

18<sup>th</sup> March - Deadline for receipt of new proxy applications, 5pm (day -6)

26<sup>th</sup> March - Deadline for emergency proxy applications, 5pm

#### 2.1.5 United Kingdom Parliamentary General Election Key Dates

27<sup>th</sup> March – Last date for receipt of postal vote applications to be on the first issue of postal ballot packs.

31<sup>st</sup> March/1<sup>st</sup> April - Dispatch of Poll Cards

20<sup>th</sup>/21<sup>st</sup> April - Dispatch of postal ballot packs (first and main issue)

20<sup>th</sup> April - Deadline for receipt of registration applications (day -12)

21<sup>st</sup> April - Deadline for receipt of new postal or postal proxy applications, 5pm (day -11)

28<sup>th</sup> April - Deadline for receipt of new proxy applications, 5pm (day -6)

28<sup>th</sup> April - Dispatch of postal ballot packs (second issue for applications received after 27<sup>th</sup> March)

7<sup>th</sup> May - Deadline for emergency proxy applications, 5pm

It is important to note that although electors who have not been confirmed will remain on the electoral register they will not be able to apply to vote by post or proxy unless they are IER verified. The proxy as well as the elector needs to be IER verified. Electors must be encouraged to enter into the process as early as possible.

## **2.2 Electoral Registration – Service Priorities March 2015 – June 2015**

### **2.2.1 The main service priorities are:-**

- Continue to process IER application forms whether that be paper forms or on line applications;
- Continue to canvass all electors where a returned IER application is required;
- Continue to canvass all void households;
- Continue to process all other applications for example, opt out requests, postal vote applications etc. as necessary;
- Undertake all necessary preparations, providing information and data as necessary to the Returning Officer, for the by election in Ward 5 Armadale on the 26<sup>th</sup> March 2015 and
- Undertake all necessary preparations, providing information and data as necessary to the Returning Officers, for the UK Parliamentary general Election on the 7<sup>th</sup> May 2015.

## **3.0 COUNCIL TAX OVERVIEW AND PRIORITIES**

### **3.1 Council Tax – Service Overview 3rd November 2014 – 1<sup>st</sup> March 2015**

#### **3.1.1 Council Tax – New Dwellings**

As at 3<sup>rd</sup> November 2014 there were 401,463 chargeable dwellings in Lothian which has risen very slightly to 402,576 as at 1<sup>st</sup> March 2015, an increase of 1,113 dwellings in 4 months. This figure can be compared to the same period in 2014 where 1,302 dwellings were added.

#### **3.1.2 Council Tax – Altered Bands**

During the period, as a result of alterations carried out prior to the date of sale and re-appraisal of bandings, the bandings of 103 dwellings have been altered which compares to 70 altered bands during the same period in 2014.

#### **3.1.3 Council Tax – Altered Houses with no sales**

During the period, the records of 1,280 dwellings have been updated, as a result of alteration work being carried out to existing dwellings compared to 573 dwellings during the same period in 2014. As previously reported the updated information should improve the

time taken to alter the bands of any altered dwellings which are subsequently sold and also ensure preparation for any future revaluation or property tax.

### **3.1.4 Council Tax – Proposals and Appeals**

The numbers of Council Tax proposals/appeals outstanding continues to stand at reasonable levels. As at 1<sup>st</sup> March 2015 there were 45 cases outstanding reduced from 76 as at 3<sup>rd</sup> November. Appeal hearings continue to be arranged regularly to ensure the disposal of cases at least equates to the number received thus maintaining low numbers outstanding.

## **3.2 Council Tax – Service Priorities March 2015 – June 2015**

**The main service priorities are:-**

- Continue improvement on the time taken between completion of new dwellings and the insertion of the dwelling in the Council Tax List in accordance with performance targets;
- Continue improvement on the time taken between the sale of houses which have been altered and the date their Council Tax Band is changed;
- Update my records by carrying out the survey of Council Tax subjects which have been altered and not sold;
- Continue to resolve proposals and appeals against Council Tax banding;
- Continue to provide advice and information to the Scottish Government, Commission on Local Tax Reform on request

## **4.0 NON DOMESTIC RATING OVERVIEW AND PRIORITIES**

### **4.1 Non-Domestic Rating – Service Overview 3rd November 2014 – 1<sup>st</sup> March 2015**

#### **4.1.1 2010 Revaluation Appeals**

The number of 2010 Revaluation appeals outstanding at Lands Tribunal has not altered since my last report. The remaining appeals are expected to be heard in the next 12/18 months.

#### **4.1.2 Running Roll**

My professional and technical staff have continued to survey and value subjects that have been newly constructed, altered or demolished. From 3<sup>rd</sup> November 2014 to 1<sup>st</sup> March 2015, there have been 341 additions, 414 valuation alterations and 293 deletions. This can be compared to the previous period in 2014 where there was 399 additions, 528 valuation alterations and 241 deletions.

### 4.1.3 Running Roll Appeals

During the period 3<sup>rd</sup> November to 1<sup>st</sup> March 2015, 189 appeals have been resolved. As at 1<sup>st</sup> March the number of outstanding running roll appeals stood at 280. Courts to deal with this type of appeal are scheduled to continue through the rest of the financial year.

## 4.2 Non-Domestic Rating – Service Priorities March 2015 – June 2015

The main service priorities are:-

- Prepare cases as may be required by the Valuation Appeal Committee;
- Schedule and action the disposal of running roll appeals;
- Survey and value new property or alterations to existing properties to ensure the Valuation Roll is as complete and accurate as possible;
- Continue to update databases with rent, cost, turnover and throughput information to ensure analysis is as complete and accurate as possible.
- Commence analysis work in preparation for the 2017 Revaluation

## 5.0 HUMAN RESOURCES AND OFFICE MANAGEMENT

### 5.1 UNISON

Regular JCC meetings continue to be held.

Policies are timetabled for review to ensure that all policies meet current legal, management and staff requirements. A draft Absence Management Policy has been issued to Unison for comment

### 5.2 Staffing

One member of staff resigned during February and the recruitment for the vacancy is currently being progressed.

I have been advised that 2 members of staff expect to commence maternity leave mid-year.

I have employed 3 new replacement temporary Canvassers who took up post on 2<sup>nd</sup> March on a fixed term contract to June 2016 to ensure the IER door to door requirement can be fulfilled.

The contracts for the 10 temporary Customer Service Assistants have been extended to 8<sup>th</sup> May to cover the increased workload of the UKPGE.

### **5.3 Equalities**

Analysis and collection of staff data continues with a view to improve the data I hold to ensure the submitted equality outcomes can be met.

An equalities monitoring report is currently being prepared for submission to the Equalities Commission.

## **6.0 RISK MANAGEMENT**

### **6.1 Risk Registers**

The job specific risk registers continue to be updated at each service meeting ensuring that all risks are considered and mitigated as soon as practicable. The strategic risk register continues to be reviewed and updated on a regular basis.

### **6.2 Information Technology**

My IT team have been heavily involved with ensuring the requirements of, and transition arrangements for IER have been fully met. This shall continue for the immediate short term after which focus shall move onto the 2017 Revaluation.

## **7.0 BUILDING ISSUES**

### **7.1 Building Maintenance**

Remedial work has been actioned for the air conditioning system which at present is working effectively.

There continues to be a significant issue with the roof and specialist roofing contractors are currently being asked to provide quotes for repair.

We are in regular dialogue with our Facilities Management Company to ensure we receive an effective and value for money service.

## **8.0 FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.



**8.0 RECOMMENDATIONS**

As there are no financial implications, nor approvals sought, the Joint Board is requested to note the contents of this report.

**Joan M Hewton  
ASSESSOR & ERO**

**16 March 2015**