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Lothian Valuation Joint Board

27 August 2015

Lothian Valuation Joint Board Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2014/15 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified.
2. Our work on the financial statements is now complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report by 9 September 2015 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to the Board we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
5. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix B. This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Lothian Valuation Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of Lothian Valuation Joint Board as at 31 March 2015 and of the income and expenditure of the Board for the year then ended;
 - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
 - 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.
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Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my 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 the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Stephen O'Hagan
Senior Audit Manager
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
GLASGOW
G2 1BT

September 2015

Appendix B: ISA 580 - Letter of Representation

Stephen O'Hagan
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
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8 Nelson Mandela Building
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G2 1BT

Dear Stephen

Lothian Valuation Joint Board

Annual Accounts 2014/15

1. This representation letter is provided in connection with your audit of the financial statements of Lothian Valuation Joint Board for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Lothian Valuation Joint Board, as at 31 March 2015, and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Assessor and Senior Management Team, the following representations given to you in connection with your audit of Lothian Valuation Joint Board for the year ended 31 March 2015.

General

3. I acknowledge my responsibility and that of Lothian Valuation Joint Board for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Lothian Valuation Joint Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the annual accounts, including the Management Commentary, Annual Governance Statement and Remuneration Report, presents a balanced picture of Lothian Valuation Joint Board and is consistent with the financial statements.
5. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Financial Reporting Framework

6. The financial statements have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the
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Local Authority Accounts (Scotland) Regulations 2014 including all relevant presentation and disclosure requirements.

7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Lothian Valuation Joint Board for the year ended 31 March 2015.

Accounting Policies & Estimates

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

10. The Board has assessed Lothian Valuation Joint Board's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

Related Party Transactions

11. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Events Subsequent to the Balance Sheet Date

12. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
13. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

14. I acknowledge as Treasurer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
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15. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2015, which require disclosure.

Fraud

16. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

17. The assets shown in the Balance Sheet at 31 March 2015 were owned by Lothian Valuation Joint Board, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities and Contingent Liabilities

18. All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31 March 2015.
19. There are no contingent liabilities arising either under formal agreements or through informal undertakings requiring disclosure in the financial statements.

Carrying Value of Assets and Liabilities

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Financial Instruments

21. The information disclosed at note 9 of the financial statements (Financial Instruments) has been based on information provided by the City of Edinburgh Council Loans Fund. I have assessed the information provided and I am satisfied that the accounting, presentation and disclosure of this note are properly stated and are in accordance the Code requirements. I confirm that all transaction costs in respect of financial instruments were immaterial and were written off to the Comprehensive Income and Expenditure Statement as incurred.

Provisions

22. There are no provisions that require to be made in the accounts for any material liabilities which have resulted, or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2015, and of which Lothian Valuation Joint Board could reasonably be expected to be aware.
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Commitments

23. There are no commitments under capital contracts. There are no other significant commitments or obligations which might adversely affect the board which require to be disclosed.

Yours sincerely

Hugh Dunn
Treasurer

Lothian Valuation Joint Board

Annual audit report to
Members and the
Controller of Audit

August 2015

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. (www.audit-scotland.gov.uk/about/ac)

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. (www.audit-scotland.gov.uk)

The Accounts Commission has appointed Stephen O'Hagan as the external auditor of Lothian Valuation Joint Board for the period 2011/12 to 2015/16.

This report has been prepared for the use of Lothian Valuation Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the Board. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

Key contacts

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Contents

Key messages	4	Best Value and performance	13
Introduction	5	Appendix 1 – Audit risks	14
Audit of the 2014/15 financial statements	6	Appendix 2 – Summary of local audit reports 2014/15	16
Financial management and sustainability	9	Appendix 3 – Action Plan	17
Governance and transparency	11		

Key messages

 <p>Audit of financial statements</p>	<ul style="list-style-type: none">• Unqualified independent auditor's report on the 2014/15 financial statements.• Working papers were of a good standard and officers provided good support which enabled the audit team to complete fieldwork by the planned target date.
 <p>Financial management and sustainability</p>	<ul style="list-style-type: none">• The Board operated within budget, recording an underspend of £0.175 million against an approved budget of £6.118 million. The Board has yet to approve the use of the 2014/15 underspend.• Balances due to local authorities have increased to £0.596 million at 31 March 2015, and are currently earmarked for use to fund future liabilities arising from early staff release measures.
 <p>Governance and transparency</p>	<ul style="list-style-type: none">• Systems of internal control operated effectively.• Overall, sound governance arrangements were in place during 2014/15.• There is scope to strengthen current procedures in relation to a register of interests for officers.
 <p>Outlook</p>	<ul style="list-style-type: none">• During 2015/16 the Board is implementing the next stages of Individual Electoral Registration (IER), including the first household canvas under IER. In addition, work is underway in preparation for the 2017 revaluation of non-domestic properties. Good financial management remains a priority as local authority requisition levels for 2015/16 remain the same for the fourth year in a row.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of Lothian Valuation Joint Board ("the Board").
2. The management of the Board is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the Board, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
6. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2014/15 financial statements

Audit opinion	<ul style="list-style-type: none">• We have completed our audit and issued an unqualified independent auditor's report.
Going concern	<ul style="list-style-type: none">• The financial statements of the Board have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the Board's ability to continue as a going concern.
Other information	<ul style="list-style-type: none">• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

Submission of financial statements for audit

7. We received the unaudited financial statements on 9 June 2015 in accordance with the agreed timetable. The working papers were of a good standard and staff provided good support to the audit team which assisted the delivery of the audit to deadline.

Overview of the scope of the audit of the financial statements

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Board in March 2015.

9. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix 1** sets out the audit risks identified during the course of the audit and how we

addressed each risk in arriving at our opinion on the financial statements.

10. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

11. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. In addition, a misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
12. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
13. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of the Board, we set planning materiality for 2014/15 at £100,000 (1% of gross expenditure). We report all misstatements greater than £1,000. Performance materiality was calculated at £50,000 to reduce to

an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

14. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and set materiality for 2014/15 at £164,000. We report all misstatements greater than £1,600. Performance materiality was calculated at £82,000. The change in materiality levels is mainly due to changes in actuarial assumptions affecting the Board's financial statements.

Evaluation of misstatements

15. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. We have no unadjusted misstatements to bring to your attention.

Significant findings from the audit

16. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

- Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
17. There are no matters, others than those set out elsewhere in this report, to which we wish to draw your attention.

Future accounting and auditing developments

Revisions to the Code of Practice

18. The financial statements of the Board are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS) to the local authority context. There are no significant changes to accounting requirements introduced by the 2015/16 Code which are likely to impact on the financial statements of the Board.

Financial management and sustainability

Financial management

19. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the officer responsible for finance has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members provide a good level of challenge and question budget holders on significant variances.
20. The main financial management arrangements for the Board have been considered and based on our accumulated knowledge and our review of relevant papers we conclude that the Board has made appropriate financial management arrangements.

Financial outcomes

21. The cost of services in 2014/15 was £6.090 million (£6.116 million in 2013/14). After accounting for income, mainly constituent

authorities' contributions and interest on pension plan assets of £7.457 million (£7.49 million in 2013/14) and interest costs on pension plan obligation of £1.868 million (£1.778 million in 2013/14) there is a deficit on the provision of services of £0.501 million (£0.411 million in 2013/14).

22. Within these figures, the Board made overall savings of £175,000 against budget. The savings include employee costs of £10,000; property costs of £16,000 and supplies and services of £36,000. Income from the Scottish Government in relation to the Scottish Independence Referendum exceeded budget by £110,000.
23. The Board has yet to approve the use of the 2014/15 underspend of £0.175 million. The brought forward balance of £0.421 million is approved for retention to cover early release costs.

2015/16 and beyond

24. In February 2015 the Board agreed a revenue budget of £6.118 million for the 2015/16 financial year. This amount was in line with the previous three financial years' budgets and was based on the continuation of a "flat cash" requisition for a further year.
25. In the absence of confirmed budget allocations for local government beyond 2015/16, longer-term funding assumptions remain subject to considerable uncertainty. Those projections that are available, however, point to a tightening of the overall fiscal position and

potential cash-reductions in funding provided through the Scottish Block grant over the following two years.

26. In previous annual audit reports we have reported a risk that that the Board's performance may not be maintained, or it may be unable to fulfil all its statutory duties, in light of the resource challenges it faces and uncertainty over future legislative changes impacting on its operations. Further cost pressures are expected to arise as the Board progresses towards the 2017 revaluation of non-domestic properties, and individual electoral registration (IER) funding terminates at the end of 2015/16.

Appendix 3 – action plan point 1

Governance and transparency

Corporate governance

27. Members and management of the Board are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
28. The Board comprises elected members from the four constituent authorities and is responsible for overseeing key aspects of governance. A cyclical review of policies and procedures is undertaken by the Board, with areas such as the Code of Conduct and Absence Management procedures considered during 2014/15.
29. From our work undertaken during the year, we have concluded that the Board has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Accounting and Internal control systems

30. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and

controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

31. A number of key financial systems of the Board are provided through City of Edinburgh Council (CEC), and our consideration of the internal control environment for the Board is informed by our CEC audit work. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Internal audit

32. Internal audit provides members and management of the Board with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
33. Our review established that the work of internal audit is of a good quality allowing us to place reliance on their work on the annual governance statement. We had planned to place reliance on internal audit's work in relation to accounts payable however, due to the scope of internal audit work carried out, we were unable to place

reliance on it for this area and we modified our procedures accordingly.

Arrangements for the prevention and detection of fraud

- 34. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
- 35. There were no instances of fraud or corruption reported by the Board in 2014/15.
- 36. We assessed the arrangements for the prevention and detection of fraud during the planning phase of our audit. The Board's anti-fraud, bribery and corruption policy provides a framework for deterring and preventing fraud and also dealing with any frauds which may occur.
- 37. We concluded that there are effective arrangements for the prevention and detection of fraud, although it should be noted that no system can eliminate the risk of fraud entirely.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

- 38. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring

compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. In our 2014/15 Annual Audit Plan, we noted that the Board did not have a formal process in place for identifying and recording any external interests held by its senior officers. The Board is currently reviewing its Code of Conduct to strengthen its procedures in relation to a register of interests for officers.

Appendix 3 – action plan point 2

Best Value and performance

39. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The Board should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Performance management

40. Over the past three years the Board has been working on significant projects including individual electoral registration and working towards the independence referendum in 2014. Access to IER funding ends in 2015 and the Board will be required to integrate additional activities arising from IER into its existing operating plan and funding.
41. Each year the Assessor and Electoral Registration Officer prepares performance reports which are provided to members and available on the Board website. Examples of performance are included below.

Overview of performance targets in 2014/15

42. The Board measures performance in council tax valuation through a number of indicators including the time taken to notify new

householders of valuation banding. In 2014/15, 95.73% (2013/14 – 94.9%) of notifications were made within 3 months, exceeding the target of 95%.

43. For non-domestic properties, a similar indicator is used for notification of changes, with 75.78% (2013/14 – 74.32%) of property owners notified within 3 months against a target of 78%. The failure to meet the target has been attributed to the number of self-catering property alterations which can be complex to assess. Targets for 2015/16 have been revised downwards to 75% to recognise the challenge in meeting these timescales within existing resources and pressures.
44. A key task for the Board is to encourage electoral participation. As at February 2015, the Electoral Registration Officer recorded an electorate of 660,030 (compared to 639,401 in March 2014 and 619,589 in December 2012).

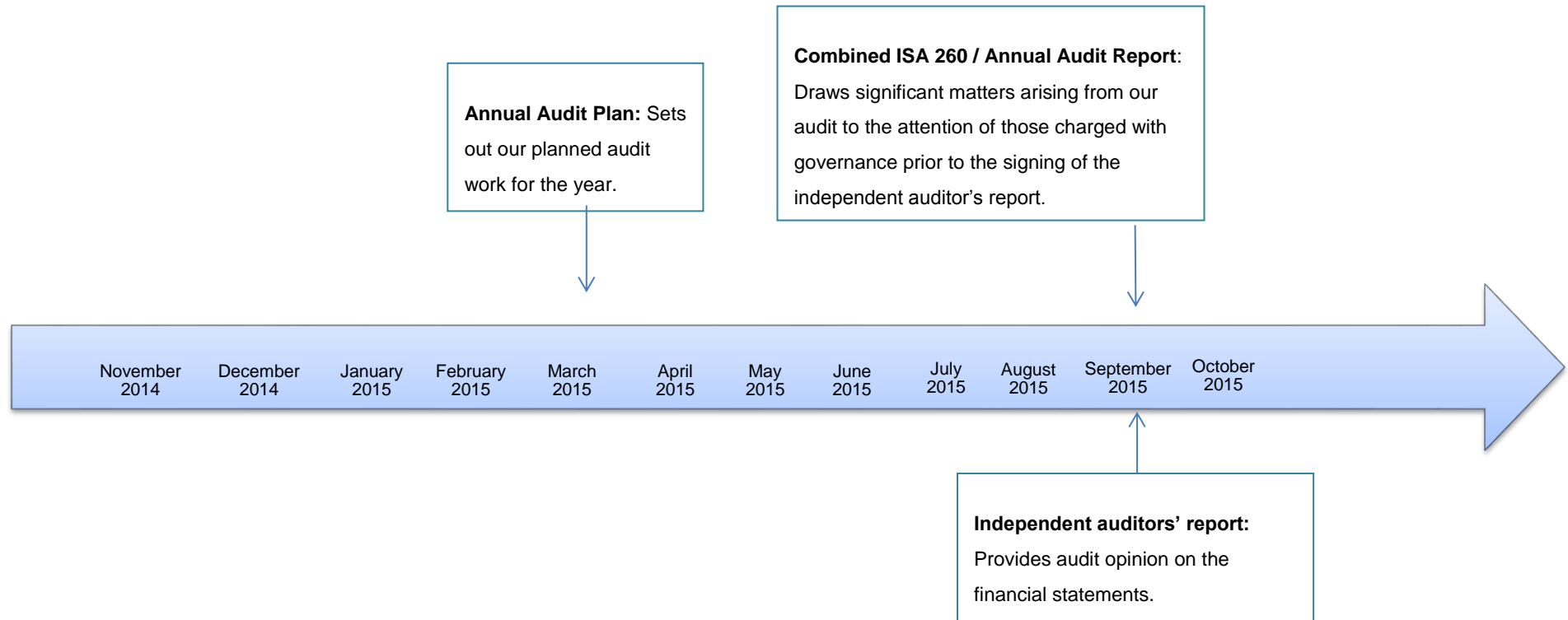
Appendix 1 – Audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Risk of management override of control</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit.</p> <p>Risk</p> <p>Management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates • Evaluating significant transactions that are outside the normal course of business 	<ul style="list-style-type: none"> • Testing completed with no issues identified
<p>Accounts payable ledger</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"> • Review of processed amendments • Detailed testing of debit balances in accounts payable ledger 	<ul style="list-style-type: none"> • Testing confirmed amendments processed in the Board's accounts payable ledger • Total debit balances below £1000 therefore no further testing required

Audit Risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>Related party transactions</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"> Evaluation of changes to process 	<ul style="list-style-type: none"> The Board has revised its Code of Conduct to strengthen the register of interests process. The revised version is currently in draft and we will consider this as part of our 2015/16 planning work

Appendix 2 – Summary of local audit reports 2014/15



Appendix 3 – Action Plan

Action plan

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1 10/26	<p>Issue</p> <p>Further cost pressures are expected to arise as the Board progresses towards the 2017 revaluation of non-domestic properties, and individual electoral registration (IER) funding terminates at the end of 2015/16.</p> <p>Risk</p> <p>The Board's performance may not be maintained or it may be unable to fulfil all its statutory duties, within existing resources.</p> <p>Recommendation</p> <p>Financial and performance information continues to be scrutinised timeously to identify issues as they arise, and allow mitigating action to be taken timeously.</p>	Management accepts the recommendation provided. All major activities and statutory duties are subject to detailed project management within which risks are identified and possible mitigation outlined. Decisions taken reflect the need to provide an efficient delivery of statutory duties within available funding.	Joan Hewton, Assessor	Ongoing

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
2 12/38	<p>Issue</p> <p>The Board is currently reviewing its Code of Conduct to strengthen its procedures in relation to a register of interests for officers, with a revised draft currently under consideration.</p> <p>Risk</p> <p>The strengthened Code of Conduct may not be finalised and applied, leading to potential conflicts of interest being unidentified.</p> <p>Recommendation</p> <p>The revised Code of Conduct is approved timeously, and a register of officer interests is maintained.</p>	<p>Management accepts the recommendation provided. A draft amended Code of Conduct is currently under consultation. It is expected that a final version shall be presented to the Board for approval at its meeting on the 16th November 2015.</p>	<p>Graeme Strachan, Depute Assessor</p>	<p>November 2015</p>