

Notice of Meeting and Agenda

Monday 16 April 2018 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 Appointment of Assessor and ERO – report by the Chief Executive and Clerk (circulated)

4 Minute of the Lothian Valuation Joint Board of 5 February 2018 (circulated)
submitted for approval as a correct record

5 External Audit Plan 2017/18 – report by the Treasurer (circulated)

6 Assessor and ERO's Report to the Joint Board – report by the Assessor and ERO (circulated)

Andrew Kerr
Chief Executive and Clerk

Membership

The City of Edinburgh Council (9)

Councillor Chas Booth
Councillor Phil Daggart
Councillor Karen Doran
Councillor David Key (Convener)
Councillor George Gordon
Councillor Gillian Gloyer
Councillor Ricky Henderson
Councillor Jason Rust
Councillor Norman Work

Midlothian Council (2)

Councillor Margot Russell
Councillor Pauline Winchester

West Lothian Council (3)

Councillor Dave King
Councillor Andrew McGuire (Vice-Convener)
Councillor Damian Timson

East Lothian Council (2)

Councillor Jim Goodfellow
Councillor Jane Henderson

Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Lesley Birrell | Committee Services | Strategy and Insight | Chief Executive | 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
- (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. 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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Appointment of Assessor and ERO

16 April 2018

1 Purpose of report

- 1.1 The Lothian Valuation Joint Board (LVJB) is asked to note the decision of the recruitment panel to appoint Graeme Strachan as the permanent Assessor and Electoral Registration Officer of the Lothian Valuation Joint Board.

2 Background

- 2.1 Interim arrangements have been in place since the previous Assessor and Electoral Registration Officer of the LVJB retired on 31 December 2016.
- 2.2 At its meeting on 27 February 2018 the recruitment panel acting on behalf of the Board agreed the timeline and approach to recruiting a permanent Assessor and Electoral Registration Officer of the LVJB.

3 Main Report

- 3.1 Online advertising and direct marketing to current Assessors and Electoral Registration Officers across Scotland were used to source candidates.
- 3.2 Three applications were received and on 29 March 2018, the recruitment panel comprising Councillors Key, Henderson, McGuire and Work interviewed all the candidates.
- 3.3 Following the interviews, the recruitment panel agreed to appoint Graeme Strachan as the permanent Assessor and Electoral Registration Officer for the LVJB.
- 3.4 The permanent arrangements will be contained within current budgets.

4 Recommendations

- 4.1 The Board notes the decision of the recruitment panel to appoint Graeme Strachan as the permanent Assessor and Electoral Registration Officer of the LVJB.

Andrew Kerr
Chief Executive and Clerk

Appendices:	None
Contact:	Steven Wright, Resources & Talent Manager
Email/Tel:	steven.wright@edinburgh.gov.uk / 0131 469 3177
Background Papers:	Held at the Office of the Chief Executive and Clerk

Lothian Valuation Joint Board

Edinburgh, 5 February 2018

Present:

City of Edinburgh Council – Councillors Key (Convener), Booth, Duggart, Gordon, Gloyer, Henderson, Rust and Work.

East Lothian Council – Councillors Goodfellow and Henderson.

Midlothian Council – Councillors Russell and Winchester.

West Lothian Council – Councillor McGuire (Vice-Convener).

1 Minute

Decision

To approve the minute of the Lothian Valuation Joint Board of 20 November 2017 as a correct record.

2 Revenue Budget 2018/19

The Board's revenue budget amounting to £5.847m for 2018/19 was presented. This represented a reduction of £0.271m (-4.4%) from the £6.118m approved for 2017/18. The proposed budget included growth as follows:

- Provision of £0.117m for employee cost pressures of pay award (2.4%) and increments
- Provision of £0.022m for the additional cost of employer pension contributions due to the 0.5% increase from 20.9% to 21.4% following Lothian Pension Fund Actuarial Review 2017.

The Board was also recommended to approve a formal reserves policy in light of risks highlighted in section 5 of the Treasurer's report.

The Board would continue to incur Individual Electoral Registration (IER) costs in 2018/19. The Cabinet Office had stated its commitment to provide IER grant until 31 March 2020.

The ongoing financial pressure arising from IER had also been subject to numerous reports to the Board throughout the year.

Lothian Valuation Joint Board
5 February 2018

Decision

- 1) To approve the budget for 2018/19 and to authorise the Treasurer to requisition the individual constituent Councils as follows:

Constituent Council	Requisition 2018/19
City of Edinburgh	£3,575,028
Midlothian	£539,704
East Lothian	£636,184
West Lothian	£1,096,365
Total	£5,847,281

- 2) To approve a formal reserves policy based on holding a general reserve with a minimum value of 3% of annual requisition. Balances held in excess of 3% required to be reviewed annually in line with risk/identified commitments and an update provided to the Board in the November following the budget approval date.
- 3) To note that the Interim Assessor and ERO would report to the Board on performance of the service review during 2018/19 including any options to implement further efficiencies through the voluntary early release scheme by November 2018.
- 4) To note that the Interim Assessor and ERO would update the Board during 2018/19 of any changes to IER with service/financial implications.
- 5) To note the risks identified in section 5 of the report by the Treasurer and that the Interim Assessor and ERO and Treasurer would provide further updates on these in budget update reports throughout 2018/19.

(Reference – report by the Treasurer, submitted)

3 Budget Report 2018/19

The Interim Assessor and ERO provided an overview of the expected costs, income and risk to the Board within the budget provision for the financial year 2018/19.

The Board's Corporate Plan and Service Plan for 2018-2019 were also submitted.

Lothian Valuation Joint Board
5 February 2018

Decision

- 1) To note the report.
- 2) To note the support provided by the Interim Assessor and ERO to the proposed 2018/19 budget and the range of possible risks that might impact on current and future budget allocation and associated service delivery.
- 3) To note the Board's decision at item 2(2) above regarding the establishment of a formal reserves policy based on holding a general reserve with a minimum value of 3% of annual requisition

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

4 Period 9 Financial Statement 2017/18

The Board's actual and budgeted expenditure for the period to 31 December 2017 was reported together with a year-end projection to 31 March 2018.

At this stage, the projected outturn against the core budget indicated a forecast spend of £6.499m resulting in a net overspend of £0.335m.

Decision

To note the projected outturn position for 2017-2018.

(Reference – report by the Treasurer, submitted)

5 Annual Investment Strategy

Decision

To approve the annual investment strategy for 2018/19 set out in appendix 1 of the report by the Treasurer.

(Reference – report by the Treasurer, submitted)

6 Transformation and Cultural Change Programme

The Interim Assessor and ERO provided Members with an update on the ongoing organisational review of the service.

During 2017 an in depth investigation into existing processes and procedures supporting service delivery, an assessment of service priorities, a review of budgetary provision, an invitation to staff to consider voluntary early release and a subsequent redesign of the organisational structure were carried out.

Lothian Valuation Joint Board
5 February 2018

The review had been fully supported by staff participation and UNISON trade union consultation.

Decision

- 1) To approve the re-structuring proposals set out in the report with an implementation date effective from 1 April 2018.
- 2) To note that the required internal and external recruitment would be undertaken to facilitate the new structure.

(References – Lothian Valuation Joint Board 6 February 2017; report by the Interim Assessor and ERO, submitted)

7 Future Meeting Arrangements June 2018 to June 2019

Decision

- 1) To approve the schedule of meetings for the period to June 2019 as follows:

Monday 18 June 2018 (Unaudited Accounts)	10:00am	Edinburgh
Monday 3 September 2018	10:00am	Edinburgh
Monday 5 November 2018	10:00am	Edinburgh
Monday 4 February 2019 (Revenue Budget)	10:00am	Edinburgh
Monday 22 April 2019	10:00am	Edinburgh
Monday 17 June 2019 (Unaudited Accounts)	10:00am	Edinburgh

- 2) To agree that the meetings of the Joint Consultative Group would be held on an ad hoc basis.

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

External Audit Plan 2017/18

16th April 2018

1 Purpose of report

Scott-Moncrieff is the Board's appointed external auditor for the five-year term from 2016/17 to 2020/21, inclusive. The External Audit Plan for 2017/18 outlines the proposed main areas of scrutiny and timescales for 2017/18 audit.

2 Main Report

- 2.1 In October 2016, Scott-Moncrieff was appointed as external auditor to the Board for a five-year term covering the period from 2016/17 to 2020/21 inclusive. Following consideration of the 2016/17 Annual Audit Report by the Board on 18th September 2017, 2017/18 is the second year of the five-year appointment. The proposed plan for the forthcoming audit is included in Appendix 1 – External Audit Plan 2017/18.
- 2.2 A timetable of key audit outputs is included in Section 6 of the Plan (page 17).
- 2.3 Staff from Scott-Moncrieff will attend the Board meeting to provide an overview of the Plan's contents and respond to any queries members may have.
- 2.4 The Plan comprises sections setting out the respective responsibilities of Scott-Moncrieff as independent auditor and the Board, the proposed audit strategy and more technical commentary on the detailed financial statement audit work to be undertaken, before presenting key areas for consideration as part of the "wider scope audit".
- 2.5 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 of Audit Practice sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in the Plan at Exhibit 1 (page 4).
- 2.6. Where the application of the full wider scope is judged not to be appropriate then the annual audit work on the wider scope is restricted to:
 - Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.

- 2.7 The Auditor's assessment considers the size, nature and risks of the organisation. Taking these factors into consideration, it is concluded that application of the restricted wider scope is appropriate to the Board.
- 2.8 Further details of the detailed approach to be adopted to assess the Board's financial statements is included in pages 5 to 6, with further detail on the specific areas of focus for the wider scope audit contained on page15. For 2017/18, in addition to the core audit of the financial statements, wider scope audit work will consider financial sustainability.

3 Financial Impact

- 3.1 The proposed audit fee is consistent with the level of provision contained within the Board's approved budget.

4 Recommendations

- 4.1 That the Board note the contents of the External Audit Plan for 2017/18.

**Hugh Dunn,
Treasurer.**

Appendices:	External Audit Plan 2017/18
Contact/Tel:	Mr. I Shaw: 0131 469 3117
Background Papers:	None



Scott-Moncrieff
business advisers and accountants

Lothian Valuation Joint Board

External Audit Plan
2017/18

April 2018

Contents

Introduction.....	1
Respective responsibilities of the auditor and the Board.....	3
Audit strategy	8
Annual accounts.....	11
Wider scope audit.....	15
Audit outputs, timetable and fees	17
Appendix 1: Your audit management team	20
Appendix 2: Statement of understanding.....	22



Introduction

Introduction

1. This document summarises the work plan for our 2017/18 external audit of the Lothian Valuation Joint Board (“the Board”).
2. The core elements of our work include:
 - an audit of the 2017/18 financial statements and related matters;
 - a review, where applicable, of arrangements for governance and transparency, financial management, financial sustainability and value for money; and
 - any other work requested by Audit Scotland.

Audit appointment

3. The Accounts Commission is an independent body appointed by Scottish Ministers responsible for securing the audit of local authorities and other local government bodies. The Commission’s work is governed mainly by the Local Government (Scotland) Act 1973.
4. Audit Scotland is an independent statutory body that provides the Accounts Commission with the services required to carry out their statutory functions, including monitoring the performance of auditors through a quality control process.
5. The Accounts Commission has appointed Scott-Moncrieff as external auditor of the Board for the five year period 2016/17 to 2020/21. This document comprises the audit plan for 2017/18 and summarises:
 - the responsibilities of Scott-Moncrieff as the external auditor;
 - our audit strategy;
 - our planned audit work and how we will approach it;
 - our proposed audit outputs and timetable; and
 - background to Scott-Moncrieff and the audit team.

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.
7. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: www.surveymonkey.co.uk/r/S2SPZBX
8. While this plan is addressed to the Board, it will be published on Audit Scotland’s website www.audit-scotland.gov.uk.



Respective responsibilities of the auditor and the Board

Respective responsibilities of the auditor and the Board

Auditor responsibilities

Code of Audit Practice

9. The Code of Audit Practice (the Code) outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors 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.

Our responsibilities

10. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 12). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
- provide an opinion on audited bodies' financial statements
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports
- notify the Controller of Audit when circumstances indicate that a statutory report may be required
- demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':
 - effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets
 - suitability and effectiveness of corporate governance arrangements
 - financial position and arrangements for securing financial sustainability

11. Weaknesses or risks identified by auditors are only those which have come to their attention

Wider scope audit work

12. 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.
13. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
14. Where the application of the full wider scope is judged by us not to be appropriate then our annual audit work on the wider scope is restricted to:
- Audit work to allow conclusions to be made on the appropriateness of the disclosures in the governance statement; and
 - Consideration of the financial sustainability of the organisation and the services that it delivers over the medium and longer term.
15. Our assessment takes into account the size, nature and risks of the organisation.
16. Taking these factors into consideration, we have concluded that application of the restricted wider scope is appropriate to Lothian Valuation Joint Board.

Board responsibilities

17. The Board has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The Board's responsibilities are summarised in Exhibit 2.

Exhibit 1: Audit dimensions of wider scope public audit

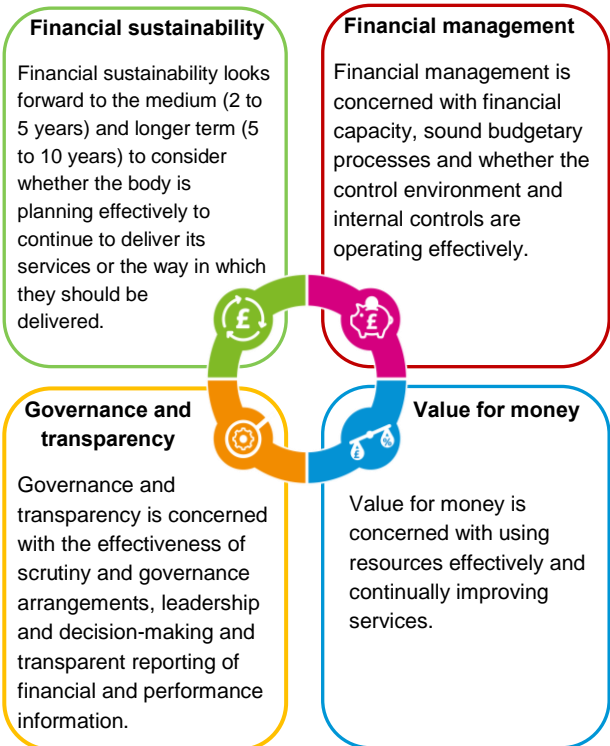


Exhibit 2 – Board's responsibilities

Area	Board responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures; • maintaining proper accounting records; and • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.
<p>Financial sustainability: Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfill its functions in an affordable and sustainable manner.</p>	<p>The Board is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with any statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • How the organisation plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>It is the Board's responsibility to ensure that financial affairs are conducted in a proper manner. Management are responsible, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance.</p> <p>The Board is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>It is the Board's responsibility to establish arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>

Exhibit 2 – Board’s responsibilities

Area	Board responsibilities
Governance and transparency: Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.	<p>The Board is responsible for establishing arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements.</p> <p>The Board is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
Value for money: Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.	<p>The Board has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

3

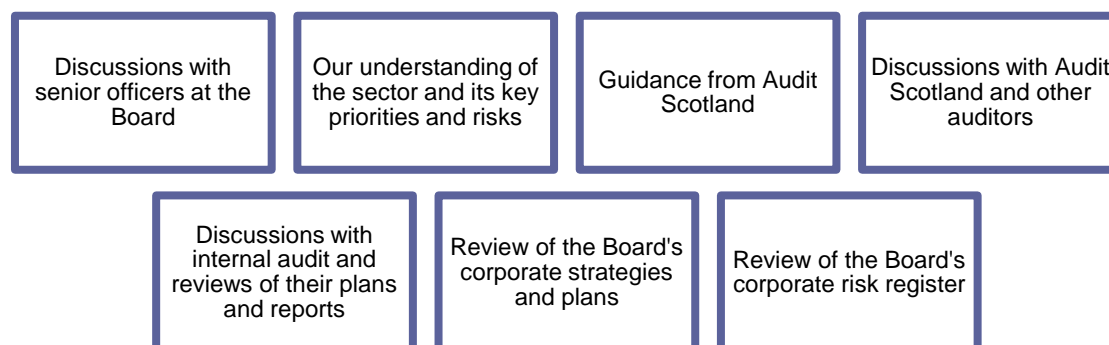
Audit strategy

Audit strategy

Risk-based audit approach

18. 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. Our audit planning is based on:



19. Planning is a continuous process and our audit plans are therefore updated during the course of our audit to take account of developments as they arise.

Communications with those charged with governance

20. Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be through the Board.

Scotland throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We will share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Professional standards and guidance

21. We perform our audit of the annual accounts in accordance with International Standards on Auditing (UK) (ISAs (UK)), the International Standard on Quality Control 1 (UK), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

24. Audit Scotland undertakes national performance audits on issues affecting the public sector. We will review the Board's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We plan to assess the extent to which the Board uses the national performance reports as a means to help improve performance at a local level.

Partnership working

22. We coordinate our work with Audit Scotland, internal audit and other external auditors, recognising the increasing integration of service delivery and partnership working within the public sector.

25. During the year we may also be required to provide information to Audit Scotland to support the national performance reports.

Audit Scotland

23. Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit

Internal audit

26. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Board's total audit resource. The Board's internal audit function is provided by the City of Edinburgh Council. We will consider the findings of the work of internal audit within our

audit process and look to minimise duplication of effort, to ensure the total audit resource available to the Board is used efficiently and effectively.

Service Organisation

27. The Board utilises the City of Edinburgh Council to provide financial ledger services. We will consider the risks arising as a result of the use of a service organisation and tailor our audit approach accordingly.



Annual accounts

Annual accounts

Introduction

28. Audited bodies' annual accounts are an essential part of accounting for their stewardship of the resources made available to them and their financial performance in the use of those resources. This section sets out our approach to the audit of the Board's annual accounts.

Approach to the audit of the annual accounts

29. Our opinion on the annual accounts will be based on:

Risk-based audit planning

30. We focus our work on the areas of highest risk. As part of our planning process we prepare a risk assessment highlighting the audit risk relating to each of the key systems on which the annual accounts will be based.

An audit of key systems and internal controls

31. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
32. The systems we review and the nature of the work we perform will be based on the initial risk assessment. We will examine and test compliance with best practice and the Board's own policies and procedures.
33. We will take cognisance of any relevant internal audit reviews of systems and controls.
34. We will update the risk assessment following our evaluation of systems and controls and this will ensure that we continue to focus attention on the areas of highest risk.

A final audit of the annual accounts

35. During our final audit we will test and review the material amounts and disclosures in the annual accounts. The extent of testing will be based on our risk assessment.
36. Our final audit will seek to provide reasonable assurance that the annual accounts are free from material misstatement and comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the CIPFA Code).

Independent auditor's report

37. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor's report which will be included in the annual accounts.

Materiality

38. Materiality is an expression of the relative significance of a matter in the context of the annual accounts as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We will review our assessment of materiality throughout our audit.
39. Our initial assessment of materiality for the annual accounts is £134,000, approximately 2% of the Board's 2016/17 gross expenditure. We consider gross expenditure to be the principal consideration for the users of the accounts when assessing the performance of the Board. We will review and update our assessment of materiality following receipt of the unaudited annual accounts.
40. We set a performance (testing) materiality for each area of work which is based on a risk assessment for the area. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	45%	£60,000
Medium	55%	£74,000
Low	70%	£94,000

41. We will report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;
 - Uncorrected misstatements with a value in excess of 5% of the overall materiality figure (i.e. over £6,000); and
 - Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

misstatement in the annual accounts. We have set out our initial assessment below, including how the scope of our audit responds to those risks. We will provide an update to the Board if our assessment changes significantly during the audit.

Key audit risks in the annual accounts

42. Auditing standards require that we inform the Board of our assessment of the risk of material

Exhibit 3: Key audit risks in the annual accounts

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 (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.



43. In response to this risk we will review the Board's accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business are valid and accounted for correctly. We will review the key accounting estimates, judgements and decisions made by management.

2. Revenue recognition

Under ISA (UK) 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 revenue transactions in such a way as to lead to a material misstatement in the reported financial position.



44. At this stage of our audit cycle, we do not believe the risk of fraud in revenue recognition is material to the financial statements and have therefore rebutted this risk. We will however continue to review this position throughout the audit.

Exhibit 3: Key audit risks in the annual accounts

3. Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “The Audit of Public Sector Financial Statements” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.



45. In response to this risk we will evaluate the significant expenditure streams (excluding payroll which is not deemed to be a significant risk area) and review the controls in place over accounting for expenditure. We will consider the Board's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and that the policies have been applied consistently across the year.

4. Transformation and Cultural Change Programme – Severance costs

At its meeting of 6 February 2017, the Board was advised of the intention to undertake an organisational review exercise: the Transformation and Cultural Change Programme (TCCP). This programme has included a redesign of the organisational structure and as a result, a number of staff will be leaving the organisation through voluntary early release.

There is a risk that costs associated with the programme are not correctly recorded and accounted for within the financial statements.



46. We will review the process undertaken by the Board to ensure the voluntary early release arrangements have been applied appropriately and in line with relevant guidance. Further, we will consider whether the costs associated with the programme have been correctly recognised in line with the CIPFA Code.

5

Wider scope audit

Wider scope audit

Introduction

47. As described in section 2, the Code frames a significant part of our wider scope responsibilities in terms of four audit dimensions. Following consideration of the size, nature and risks of the Board, the application of the full wider scope audit is judged by us not to be appropriate. Our annual audit work on the wider scope will therefore be restricted to:

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

48. Our planned audit work against these two dimensions is risk based and proportionate.

49. Our assessment builds upon our understanding of the Board's priorities and risks which we developed in 2016/17, discussions with

management and review of minutes and key strategy documents. In 2017/18 we have also considered the following risk areas as they relate to the Board:

- EU withdrawal
- New financial powers
- Ending of public sector pay cap
- Response to cyber security risks
- Openness and transparency.

50. At this stage of our audit planning, we have identified one significant risk to the wider scope of our audit in relation to financial sustainability (Exhibit 4). Audit planning is a continuous process and our application of the small body provision will be subject to ongoing review to ensure it remains appropriate. Should we identify any particular issue or risk during our audit that requires additional work, or the full wider scope to be applied, we will update our audit plan.

Exhibit 4 – Significant risk: financial sustainability

1. Financial sustainability

The Board has arrangements in place for short term (1 year) financial planning. Budgets are aligned to the Corporate and Service plan. The Board has recognised that there is a high degree of uncertainty over future funding allocations and therefore has not prepared long term financial plans. However, the Board has recognised the importance of establishing a sustainable financial position.

A major review titled the 'Transformation and Cultural Change Programme' has been ongoing throughout 2017/18. The review aims to modernise the organisation through consideration of three principle areas: process improvement, cultural change and customer focus. One of the key outcomes for the review is '*placing the organisation on a financially sustainable platform for the future delivery of services.*'

An update on progress made to date was reported to the Board in February 2018. This included the reporting of a revised organisational structure which will be implemented from 1 April 2018.



51. During our audit we will consider whether the Board has adequate arrangements in place for managing its financial position and its use of resources. Our conclusion will be based on a review of the Board's financial performance, underlying financial position, financial plans and financial reporting.



Audit outputs, timetable and fees

Audit outputs, timetable and fees

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2017/18.	April 2018
Independent Auditor's Report	Report	This report will contain our opinion on the truth and fairness of the annual accounts.	September 2018
Annual Report to the Board and the Controller of Audit	Report	At the conclusion of each year's audit we will issue an annual report setting out the nature and extent of our audit work for the year and summarising our opinions, conclusions and the significant issues arising from the work. This report will pull together all of our work under the Code of Audit Practice.	September 2018

Audit outputs

38. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
39. The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

Audit fee

40. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has well-functioning controls, an effective internal audit service, and an average risk profile. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.
41. As auditors we negotiate a fee with the audited body during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.

42. For 2017/18 we propose setting the audit fee at the expected fee level. The total proposed fee for the Board for 2017/18 is as follows:

2017/18	
Auditor remuneration	£6,140
Pooled costs	£550
Performance audit and Best Value	-
Audit support costs	£390
Total expected fee	£7,080¹

43. We will take account of the risk exposure of the Board and the management assurances in place. We assume receipt of the draft accounts and working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any

¹ The audit fee in 2016/17 was £6,970

other significant exercises not within our planned audit activity.

Audit timetable

44. The dates for our final audit visit have been discussed with the interim Assessor and the City of Edinburgh Council Finance Team. A summary timetable, including audit outputs, is set out adjacently:





Appendices

Appendix 1: Your audit team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 17 partners and over 200 staff operating from Edinburgh, Glasgow and Inverness. We are also part of the global Moore Stephens network.

We have been external auditors within the public sector for at least fifty years. We provide a comprehensive range of services to clients across the public sector, including NHS bodies, local authorities, central government bodies and FE colleges. We also provide services to charities, schools, as well as private and public limited companies.

Edinburgh	Glasgow	Inverness
Exchange Place 3 Seiple Street Edinburgh EH3 8BL	25 Bothwell Street Glasgow G2 6NL	10 Ardross Street Inverness IV3 5NS
(0131) 473 3500	(0141) 567 4500	(01463) 701 940

Your audit team



Nick Bennett

Partner

Nick.bennett@scott-moncrieff.com

Nick has over 25 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards. Nick's experience and expertise is acknowledged both by clients and by other professionals involved right across the public sector.

Nick will be your engagement lead.



Karen Jones

Director

Karen.jones@scott-moncrieff.com

Karen is one of our directors responsible for the audit of our Audit Scotland external audit appointments. Karen has over 15 years' experience in auditing the public sector. She has extensive experience in auditing in auditing local authorities and other local government bodies.

Karen will be your audit manager.



Rachel Wynne

Audit Senior

Rachel.wynne@scott-moncrieff.com

Rachel joined the firm in 2014 as a public sector audit trainee and has since achieved her CA qualification. She has experience delivering external audit services to a range of public sector bodies, including local government.

Rachel will be responsible for the delivery of the onsite work.

Confirmation of independence

International Standard on Auditing (UK) 260
“Communication with those charged with governance”
requires us to communicate on a timely basis all facts
and matters that may have a bearing on our
independence.

We confirm that we will comply with FRC’s Revised
Ethical Standard (June 2016). In our professional
judgement, the audit process is independent and our
objectivity has not been compromised in any way. In
particular there are and have been no relationships
between Scott-Moncrieff and the Board, its Board
members and senior management that may
reasonably be thought to bear on our objectivity and
independence.

Appendix 2: Statement of understanding

Introduction

The purpose of this statement of understanding is to clarify the terms of our appointment and the key responsibilities of the Board and Scott-Moncrieff.

Annual accounts

We will require the annual accounts and supporting working papers for audit by the agreed date specified in the audit timetable. It is assumed that the relevant staff will have adequate time available to deal with audit queries and will be available up to the expected time of completion of the audit.

Scope of audit

As auditors we will take reasonable steps to plan and carry out the audit so as to meet the objectives and comply with the requirements of the Code of Audit Practice. Audit work will be planned and performed on the basis of our assessment of audit risks, so as to obtain such information and explanations as are considered necessary to provide sufficient evidence to meet the requirements of the Code of Audit Practice.

As auditors we do not act as a substitute for the Board's responsibility to establish proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

As part of our normal audit procedures, we will ask you to provide written confirmation of certain oral representations which we have received from the Board during the course of the audit on matters having a material effect on the annual accounts. This will take place by means of a letter of representation, which will require to be signed by the Treasurer.

Internal audit

It is the responsibility of the Board to establish adequate internal audit arrangements. The audit fee is agreed on the basis that an effective internal audit function exists.

We will liaise with internal audit to ensure an efficient audit process.

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or

irregularity issues to be reported to us as they arise. We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants of Scotland.

Fees

We base our agreed fee upon the assumption that all of the required information for the audit is available within the agreed timetable. If the information is not available within the timetable we reserve the right to charge a fee for the additional time spent by our staff. The fee will depend upon the level of skill and responsibility of the staff involved.

Service

If at any time you would like to discuss with us how our service to you could be improved or if you are dissatisfied with the service you are receiving please let us know by contacting Nick Bennett. If you are not satisfied, you should contact our Ethics Partner, Bernadette Higgins. In the event of your not being satisfied by our response, you may also wish to bring the matter to the attention of the Institute of Chartered Accountants of Scotland.

We undertake to look at any complaint carefully and promptly and to do all we can to explain the position to you.

Reports

During the course of the audit we will produce reports detailing the results and conclusions from our work.

Any recommendations arising from our audit work will be included in an action plan. Management are responsible for providing responses, including target dates for implementation and details of the responsible officer.

Agreement of terms

We shall be grateful if the Board would consider and note this statement of understanding. If the contents are not in accordance with your understanding of our terms of appointment, please let us know.



Scott-Moncrieff
business advisers and accountants

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ASSESSOR'S PROGRESS REPORT TO LOTHIAN VALUATION JOINT BOARD

16th April 2018

1.0 PURPOSE OF REPORT

This report provides information on recent and proposed activities, progress and performance, within the Assessors organisation.

2.0 ELECTORAL REGISTRATION

2.1 2017 Canvass Outcome

The 2017 Household Canvass concluded on the 1st December 2017 with the publication of the new electoral register. A return rate for Household Enquiry Forms of 74% was achieved, which compares favourably with previous years; 2016 70%, 2015 72%.

Returns of HEF's by electronic means, telephone, internet and text, increased from 106,361 in 2016 to 118,256 in 2017.

During the canvass period 36,819 Invitation to Register forms were issued in addition to 15,669 postal vote application forms. At the point of register publication the total electorate stood at 656,837, an increase from the same time in 2016 of 5,268, while the standing list for absent voters increased from 123,430 to 127,725.

As part of the ongoing requirement to chase non-returned forms the canvass team was active during this period and made calls to 86,374 households.

As part of preparations for the 2018 Household canvass consideration is being given to conducting an e-canvass pilot of 139,000 households in advance of the main postal issue. This initial step shall allow individuals to provide a return on-line and will lead to a financial saving on postage and printing.

The future nature of the annual canvass remains under consideration by the Cabinet Office with the outcome of various pilot exercises currently under evaluation. If any changes are proposed these are likely to have impact from 2019 onwards.

2.2 2018 AVPI Refresh

The annual requirement to review and refresh signatures as part of the absent vote process in cases where it was 5 years since last provision, was undertaken in January. In total 8,208 invitations to refresh were issued, 6,777 were returned and processed, and 1,431 absent votes were ultimately removed from the standing list.

2.3 Engagement Activities

Throughout the year we have made contact and supplied information, leaflets and registration forms to a range of organisations, such as CRISIS, Edinburgh Throughcare & Aftercare, Muirhouse & Port of Leith Housing Associations, Polish Vote You Are At Home campaign, information material was made available in student residences and at ESPC offices, the household canvass was promoted via constituent councils Facebook and Twitter accounts, advertising was carried out in the Mascot magazine and Service Guide. In addition staff attended 25 Citizenship Ceremonies and visited Care Homes throughout Lothian.

Also over the canvass period key engagement was undertaken with young persons. Visits were made to 22 schools within Lothian to encourage registration. As a result 881 young person registrations were achieved.

2.4 Appointment of an Engagement Officer

As part of the Transformation Programme an Engagement Officer position has been identified. It is intended that through this post engagement activities shall become more focused and targeted, allowing effective evaluation, and, as part of an overarching strategy, encompass all aspects of the organisation's engagement responsibility.

2.5 Midlothian By-election Ward 1 Penicuik

A by-election in Midlothian Ward 1 Penicuik was held on the 22nd March 2018. By the due dates we had processed 130 applications to register and 56 absent vote applications. The turnout on election-day was 42.9%. In addition, in advance of the last date for registration, staff took our information stand to Penicuik Centre to create awareness of the by-election and the registration process. 110 members of the public visited the stand and a range of enquiries and checks were dealt with.

2.6 E – Provision of Registers and Register Updates

Electoral legislation allows the provision of relevant register and other data to elected members in a variety of formats, the most common being in print form and as an electronic file provided as an email attachment.

Elected members are entitled to register data extracts following the publication of the new register in December, monthly to reflect new additions to the register, and at elections.

The total number of applications requesting data can vary but there is the potential for 171 requests to be received once Local Government, Scottish Government and UK Parliamentary members are taken into account. This does not include requests for entire Registers from authorised political parties during election and referendum events.

The provision of this information is a time and resource hungry activity and ensuring access to the information is provided to all parties within a short period, for example at elections, can be onerous.

A facility now exists that shall provide automatic notification via email to members when registration data is available, and, if requested, shall then issue and record that information has been sent. The data shall be in electronic format. The Board is requested to give this option their consideration.

2.7 Scottish Government Consultation on Electoral Reform

During December 2017 the Scottish Government issued its consultation paper on Electoral Reform. This covered a range of issues from extending the registration franchise, to electronic voting in polling stations, remote voting, the running and timing of elections, and the order of candidates' names on ballot papers amongst the main items for consideration.

This was very much an opinion finding exercise with the intention being to review comments received before presenting more definitive proposals for further consultation.

3.0 COUNCIL TAX

3.1 New Builds

Activity with new builds and inserts onto the Council Tax List continued throughout 2017/18 as indicated below. In terms of inserts per Council area the figures are Edinburgh 3,570, West Lothian, 666, Midlothian 671, and East Lothian 808.

Valuation List	New homes added	Point of Sale Band Changes
2012/13	3,171	172
2013/14	4,315	203
2014/15	4,409	257
2015/16	4,688	270
2016/17	4,826	254
2017/18	5,715	281

A significant number of housing development sites are under active construction with others at consent stage. Some of these where the expected number of new houses is in excess of 200 are Heritage Grange (in excess of 500), South Gilmerton Brae, Broomview, Kingfisher Park, Shrubhill Walk, Lady Victoria Grange, Harvieston Park, Shawfair (in excess of 4,000), Heartlands, Winchburgh Village & South Queensferry, Letham Mains, Fenton Gait, Newtonlees/Fairacres, St.Clements Wells, Almond Park.

3.2 “Martin Lewis” TV Programme

A recent TV programme formatted around the “money saving” platform and fronted by Martin Lewis gave rise to hundreds of enquiries from Council Tax payers seeking to have the bands on their properties reviewed and reduced. This is the second time that Council Tax has featured on this programme where an impression is given that many Council Tax bands are wrong and council tax payers should make enquiries. On the first occasion this item was aired we received thousands of enquiries.

A person must lodge an appeal within six months of becoming the council tax payer for a property appearing in the Council Tax List. Outwith that period appeals lodged are regarded as “out of time” and proceed to be heard on competency grounds only.

Following receipt of these recent enquiries ratepayers shall be provided with information on the band applied to their property, and of their legal rights of appeal.

3.3 Use of Tablet Devices in the Field

The validity of using tablet devices in the field to collect and process information in an efficient and effective fashion has been established through the electoral registration process. As part of the Transformation Programme this technology is to be extended to Council Tax activities and I expect a field trial to take place during the summer.

4.0 VALUATION ROLL

4.1 2017 Revaluation Appeal Progress

Disposal of appeals lodged following the 2017 Revaluation commenced in February 2018. Between the 7 February and 16 March six Valuation Appeal Committee hearing dates were scheduled to deal with Revaluation appeals with another 3 hearing dates allocated to outstanding 2010 appeals. Over this period 1,695 revaluation appeals have been dealt with. A further programme of twenty three Valuation Appeal Committee hearings is now in place starting on the 3 May and ending on the 14 December 2018. At this stage 11,312 revaluation appeals remain outstanding.

While legislation allows a three year period in which all revaluation appeals are required to be dealt with it is important and in the interests of the ratepayer that disposal of appeals is completed as quickly as possible.

To that end investigations are underway in respect of the 493 appeals, 4% of the outstanding total, that have been lodged by ratepayers, approximately 250 being sole traders, without professional representation, in order to effect early resolution. In addition we are encouraging engagement with professional agents who have large portfolios for a single ratepayer to enter into appeal discussions outwith the formal citation process. This may succeed to dispose of volumes of appeals quickly while allowing time to focus on more problematic subjects.

4.2 Commercial Rental Enquiry (CRE) Form Issue

Preparations are underway for the issue of circa 11,000 Commercial Rental Enquiry forms to proprietors, tenants and occupiers of subjects currently appearing in the Valuation Roll. This activity forms the bedrock of essential information required to support the valuation levels adopted by Assessors both in preparation for a revaluation, assisting with appeal disposal, and during the quinquennium to inform on market trends and movements. It is intended to move this activity onto a rolling programme thereby allowing the more efficient processing of returned information. While forms can be returned using the provided reply-paid envelopes, ratepayers are encouraged to go on-line to the SAA Portal where a facility exists to supply information electronically. In addition ratepayers are directed to the LVJB website where they shall find more information on the form and why it is being issued and the importance of replying.

With the move to 3 yearly revaluations it is vital that a high level of response to forms of this nature is achieved and the engagement process at this stage is seen as an introduction to a higher level of interaction with ratepayers.

4.3 Engagement

The Barclay Review of NDR, as adopted by Scottish Government, made a number of recommendations in respect of engagement by Assessors with ratepayers and their representatives.

In pursuit of this requirement The Scottish Assessors Association has, with the support of Scottish Government and the Royal Institute of Chartered Surveyors, created two engagement forums, the Scottish Ratepayers Forum and the Scottish Rating Agents Forum. Each has a different target audience, one being ratepayers and industry bodies, the other professional rating agents involved with appeal disposal. It is intended that these groups meet periodically throughout the year.

Within Lothian VJB, engagement has taken place with professional rating agents in advance of commencing the appeal disposal programme with a follow up meeting scheduled for May 2018. The initial meeting allowed for a reflection on pre-revaluation arrangements, the exchange of views on procedural aspects of the citation and appeal process, and discussions on aspects of professional negotiation.

5.0 CORPORATE PLANNING

5.1 Corporate Activities 2018/19

Development of the 2018/19 Corporate Plan has proceeded during January to March with a number of key objectives identified. These, some of which are noted below, are activities aimed at supporting and augmenting the existing functional and service deliverables;

- Creation of a Barclay Implementation Plan/3 yearly revaluations
- Development of an Engagement Strategy encompassing all stakeholder services
- A review of the existing LVJB website
- Formation and commencement of the Governance Group including an extension to current audit activity
- Creation and deployment of an overarching Performance Framework
- Improved performance of key functional and service deliverables
- Creation of a LVJB Training & Staff Development Strategy

These objectives shall be adopted under the remit of the Project Management Board thereby allowing formal scrutiny of planning, delivery and implementation.

6.0 TRANSFORMATION AND CULTURAL CHANGE PROGRAMME

6.1 Implementation Update

Following Board approval in February 2018, implementation of the revised staffing structure has proceeded on timetable with only one remaining post currently within the recruitment process. It is encouraging to note that staff at all levels showed considerable interest in the recruitment process.

In terms of the ongoing change process identified under the TCCP a number of proposals are currently under Project Board control with a range of delivery dates earmarked throughout the year. Some of the principle projects are noted below;

- Further deployment of in-field tablet devices
- Work item prioritisation
- Improvement to workload distribution
- Further refinement to key internal processes
- Increased integration of primary data sets
- Improvements to incoming document handling procedures
- Improved response times to stakeholder email enquiries

7.0 GOVERNANCE & AUDIT

7.1 Governance, Best Value and Risk Group

At its meeting of the 21st August 2017 the Board agreed to the creation of a Governance, Best Value and Risk Group within the Assessor's organisation. While preparatory work in terms of remit, constitution and procedural operation are nearing conclusion the inaugural meeting of the group is scheduled for 21st May 2018. Following discussion, City of Edinburgh Audit Team recommended that the Governance Group provide an external interface.

It remains the position that given the size and nature of the Assessor and ERO organisation a formal Audit Committee, formed from the Boards membership, is unnecessary. However it is proposed that the Governance Group shall hold twice yearly meetings that incorporate Board member and other interested stakeholder involvement, for example external Audit and Treasury personnel. The detail of this proposal is under consideration and further information shall be provided to the Board in due course.

7.2 Preparation for GDPR

In May 2018 the new General Data Protection Regulations shall be adopted within the organisation. These regulations replace the existing eight principles of Data Protection which currently govern the use of personal data.

In broad terms the GDPR can be summarised as the following;

- Data processing must be fair, lawful and transparent
- It must be collected for specified, explicit and legitimate purposes
- It should be adequate, relevant and limited to what is necessary
- It must be kept accurate and current
- It must not be retained longer than is necessary
- It must always be kept secure

The above principles are subject to accountability. Organisations must be able not only to ensure compliance, but be able to demonstrate it as well.

Work in preparation of the new regulations has been undertaken with the following key elements either in place or identified as a requirement under action;

- Information asset register
- Privacy Notices
- Data Sharing Agreements and contract review
- Security Awareness Training and Security Breach Protocols
- Subject Access Request Framework
- Incorporation of Privacy by Design methodologies to support business change
- Data minimisation and cleansing procedures

Recent City of Edinburgh Council Audit Team activity has reviewed our preparations for GDPR in addition to other aspects of Governance and provided recommendations for further action as appropriate.

8.0 RECOMMENDATIONS

- 8.1 The Board is asked to note the content of this report.
- 8.2 The Board is asked to approve a trial, by Board members, of an automated delivery system of legally entitled electoral register data.
- 8.3 The Board is asked to approve the adoption of twice yearly meetings of the Governance, Best Value and Risk Group where Board member and other external stakeholder representation are requested.

Graeme Strachan
Interim ASSESSOR & ERO