

## Notice of Meeting and Agenda

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**Tuesday 23 April 2019 at 10:00am  
in the City Chambers, High Street, Edinburgh**

**1 Order of Business**

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

**2 Declaration of Interests**

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

**3 Minute of the Lothian Valuation Joint Board of 4 February 2019**

(circulated) - submitted for approval as a correct record

**4 Appointments** - report by the Chief Executive and Clerk (circulated)

**5 Medium Term Financial Plan 2019/20 to 2022/23 – Progress Update** – report by the Treasurer (circulated)

**6 Assessor’s Progress Report to the Joint Board** – report by the Assessor and Electoral Registration Officer (circulated)

**7 Update on Non-Domestic Rates Reform** – report by the Assessor and Electoral Registration Officer (circulated)

**Additional Item**

**8 External Audit Plan 2018-19** – report by the Treasurer (circulated)

Note: The Convener will require to rule this item urgent if it is to be considered at this meeting.

**Andrew Kerr**  
Chief Executive and Clerk

## Membership

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

Councillor Gavin Corbett  
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 Kieran Munro  
Councillor Margot Russell

### **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 Communications | 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](mailto:lesley.birrell@edinburgh.gov.uk)
- (2) A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the Main Reception Office, City Chambers, High Street, Edinburgh.
- (3) The agenda, minutes and public reports for this meeting can be viewed online by going to [www.edinburgh.gov.uk/meetings](http://www.edinburgh.gov.uk/meetings). Members and Officers of the City of Edinburgh Council can also view them by going to the Orb home page and clicking on Committee Business.



Please recycle this paper

# Lothian Valuation Joint Board

Edinburgh, 4 February 2019

## Present:

**City of Edinburgh Council** – Councillors Doran, Gordon, Gloyer, Henderson, Rust and Work.

**Midlothian Council** – Councillor Russell.

**West Lothian Council** – Councillors McGuire (Vice-Convener) (in the Chair) and Timson.

## 1. Chair

In the absence of the Convener, the Vice-Convener chaired the meeting.

## 2. Minute

### Decision

To approve the minute of the Lothian Valuation Joint Board of 5 November 2018 as a correct record.

## 3. Revenue Budget 2019/2020

The Board had approved a one-year budget for 2018/19 of £5.847m. This represented a reduction of £0.271m (-4.4%) from 2017/18.

The Assessor and ERO had undertaken a Transformation and Cultural Change Programme review during 2017/18 resulting in sustainable savings. Thereafter, the Board approved a new organisational structure in February 2018. The 2019/20 budget has been developed on this structure.

Revenue budget planning for 2019/20 included:

- provision of £0.163m for inescapable employee cost pressures for pay award (estimated at 3%) and increments;
- compensating employee turnover savings of £0.163m – effectively an efficiency saving of 2.79%.

The 2019/20 budget assumed no change from the 18/19 budget of £5.847m, prior to inclusion of new statutory burdens to deliver recommendations of the Barclay Review.

Lothian Valuation Joint Board  
4 February 2019

### Decision

- 1) To approve the proposed budget for 2019/20 and the issue of requisitions from the Treasurer to constituent councils as follows:

<b>Council</b>	<b>Requisition 19/20</b>	<b>%</b>
City of Edinburgh	£3,583,799	61.29%
Midlothian	£ 534,441	9.14%
East Lothian	£ 625,659	10.70%
West Lothian	£1,103,382	18.87%
<b>Total:</b>	<b>£5,847,281</b>	<b>100.00%</b>

- 2) To recommend that funding included in the Local Government Settlement for implementing the recommendations of the Barclay Review and allocated through the SDG be fully passed onto the Board by means of a supplementary requisition during 2019/20.
- 3) To note that a medium-term (five year) financial plan would be presented to the Board in April 2019.
- 4) To note that the Assessor and ERO would update the Board during 2019/20 of any changes to Barclay / Individual Electoral Registration with service/financial implications, both within the medium-term financial plan and the quarterly Board cycle.
- 5) To continue to develop risk mitigation measures to address the financial risks identified in Section 6 of the report, underwritten by the General Reserve balance.

(Reference – report by the Treasurer, submitted)

#### 4. Period 9 Financial Statement 2018-2019

The projected revenue budget outturn position to 31 March 2019 was presented based on the position at period ending 30 December 2018. The projected outturn indicated a forecast under spend of £0.080m which represented an increase in expenditure of £0.023m to that reported to the November meeting of the Board.

The 2018/19 budget assumed that all costs would be met by grant from the Cabinet Office. Grant of £0.241m had been received for 2018/19 from the Cabinet Office and unspent grant of £0.350m had been carried over from 2017/18. Total grant of £0.591m was therefore currently available to fund Individual Electoral Registration costs in 2018/19. It was not anticipated that costs would exceed grant and for reporting purposes the current forecast assumed a carry-forward to 2019/20 of £0.367m.

Lothian Valuation Joint Board  
4 February 2019

**Decision**

To note the projected outturn position for 2018/2019.

(References – Lothian Valuation Joint Board 5 November 2019 (item 2); report by the Treasurer, submitted)

**5. Budget Report 2019-2020**

Information was provided aligning budget provision with service delivery during 2019/2020. Existing risks and pressures on service delivery were identified with associated impact on 2019/20 budget provision detailed.

The Board's Corporate Plan and Service Plan for 2018-2019 were also submitted as set out in Appendix 1 of the Assessor's report.

**Decision**

- 1) To note the report.
- 2) To agree, in principle, that the General Reserve Fund might provide the necessary mitigation to support the required 2019/20 budget outturn.

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

**6. Update on Barclay Review of Non-Domestic Rates**

Members were provided with an update on matters arising from the implementation of the Barclay Review of Non-Domestic Rates recommendations.

The latest iteration of the Board's Barclay Risk Register was also presented. This showed that there were currently 2 risks set at red status, 9 at amber and 13 at green. This compared favourably to the last position reported to the November meeting of the Board which highlighted 7 red risks, 10 amber and 7 green.

**Decision**

To note the report and that further updates would be reported to future Board meetings.

(References – Lothian Valuation Joint Board 5 November 2019 ((item 4); report by the Assessor and Electoral Registration Officer, submitted.)

Lothian Valuation Joint Board  
4 February 2019

## 7. Annual Investment Strategy

### Decision

To approve the annual investment strategy for 2019/20 set out in appendix 1 of the report by the Treasurer.

(Reference – report by the Treasurer, submitted)

## 8. Future Meeting Arrangements June 2019 to June 2020

### Decision

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

Monday 17 June 2019 (Unaudited Accounts)	10:00am	Edinburgh
Monday 2 September 2019	10:00am	Edinburgh
Monday 4 November 2019	10:00am	Edinburgh
Monday 3 February 2020 (Revenue Budget)	10:00am	Edinburgh
Monday 20 April 2020	10:00am	Edinburgh
Monday 15 June 2020 (Unaudited Accounts)	10:00am	Edinburgh

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

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



## Appointments

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23 April 2019

### 1 Purpose of report

To advise of an appointment to the Joint Board following the resignation of a member from Midlothian Council and the need to fill a vacancy on the Appointment Committee.

### 2 Membership of the Joint Board, its Sub-Committees and Joint Consultative Group

- 2.1 Midlothian Council have appointed Councillor Kieran Munro to serve on the Lothian Valuation Joint Board in place of Councillor Pauline Winchester who has resigned.
- 2.2 Councillor Winchester also served on the Joint Board's Appointment Committee. The current membership, as notified, and remits of this group is detailed in the attached appendix.
- 2.3 The Joint Board is invited to appoint a member from Midlothian Council to the Appointment Committee.

### 3 Recommendations

- 3.1 The Joint Board is asked:
  - i) To note the appointment of Councillor Kieran Munro, Midlothian Council.
  - ii) To appoint a member from Midlothian Council to the Appointment Committee.

**Andrew Kerr**  
Chief Executive and Clerk

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<b>Appendix</b>	Appointment Committee Remit
<b>Contact:</b>	Lesley Birrell, Office of the Chief Executive and Clerk ☎ 529 4240 ✉ <a href="mailto:lesley.birrell@edinburgh.gov.uk">lesley.birrell@edinburgh.gov.uk</a>
<b>Background Papers:</b>	Letter from Midlothian Council

## **Lothian Valuation Joint Board Appointment Committee**

### **Remit**

**1** The Appointment Committee shall be authorised to act on behalf of the Board on all matters of selection and appointment of the Assessor and Electoral Registration Officer of the Lothian Valuation Joint Board.

**2** Membership of the Committee shall comprise 5 members as follows:

The City of Edinburgh Council	-	2 Councillors
East Lothian Council	-	1 Councillor
Midlothian Council	-	1 Councillor
West Lothian Council	-	1 Councillor

#### **Advisers (non-voting)**

Chief Executive and Clerk to the Board  
HR Adviser to the Board

**3** The quorum for meetings of the Committee shall be 3 members.

**4** The Convener of the Committee shall be appointed by the Valuation Board. In the absence of the Convener at any meeting, the Committee will elect a Chair from its members.

**5** Members will be permitted to appoint a substitute to attend in their place, in accordance with the requirements of the Board's Standing Orders.

**6** All members (and any substitute member) will require to have attended an approved training course for the purpose of recruitment and selection of Chief Officers.

**7** All members (and any substitute members) will be subject to the general requirement to have attended all the stages of the selection process i.e. any short-listing (or long-listing) and interviews of all candidates when participating in the selection process.

**8** The Chief Executive and Clerk to the Valuation Board, in consultation with the Convener of the Committee, will be responsible for calling meetings of the Committee.

**9** The Chief Executive and Clerk shall report on any appointment made to a meeting of the Valuation Board.



## Medium Term Financial Plan 2019/20 to 2022/23 – Progress Update

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23rd April 2019

### 1 Purpose of report

This report presents a progress update on development of a medium term financial plan for the Board. The report has been prepared in consultation with the Assessor and Electoral Registration Officer.

### 2 Medium Term Financial Plan 2019/20 to 2022/23

- 2.1 In the 2017/18 Annual Audit Report to Members of Lothian Valuation Joint Board and the Controller of Audit, the Board's external auditor recommended the Board develops a strategic plan which documents the Board's future plans and key challenges.
- 2.2 It was noted the Board has arrangements in place for short term (1year) financial planning, with budgets aligned to its Corporate and Service Plan. However, it was noted the Board does not prepare medium to long-term financial plans due to the uncertainty over future funding allocations.
- 2.3 This report presents a progress update on development of a medium term financial plan.

### 3 Background

- 3.1 Between 2012/13 and 2018/19, the Board achieved incremental savings of £1.299m to manage cost pressures, which arose through legislative change and inflationary uplift. When approving the 2019/20 revenue budget, further savings of £0.163m were agreed to address pay award and increment cost pressures.
- 3.2 Between 2012/13 and 2017/18, the Board provided services within a 'flat cash' Council requisition of £6.118m.
- 3.3 In February 2018, the Board approved a new organisational structure, following a Transformation Programme, which had four main drivers: - modernisation, process improvement and smarter ways of working, cultural change, and customer focus. The 2018/19 Council requisition was reduced by £0.271m (4.4%) when the Transformation Programme was implemented.
- 3.4 On 4<sup>th</sup> February 2019, the Board approved a one-year budget for 2019/20 of £5.847m. The 2019/20 budget assumes no change from the 2018/19 Council requisition, prior to inclusion of new statutory burdens to deliver recommendations of the Barclay Review.

## **Recommendations of Barclay Review**

- 3.5 Since 2017, the Board has been preparing for implementing recommendations of the external Barclay Review into Non-Domestic Rating. The enacting primary legislation to support the recommendations of the Review is scheduled to be adopted by 1st April 2020.
- 3.6 The 2019 Local Government Finance Settlement, included funding of £3.3m for implementation of Barclay Review recommendations. Within this sum, there is funding for Assessors implementation costs, which arise principally as a result of the move to a 3-year revaluation cycle and associated appeals process.
- 3.7 The Scottish Assessors Association (SAA) has estimated 2019-20 Scotland-wide implementation costs of £2.6m. £0.153m of this has been allocated to the Board, based on 2019/20 cost projections.
- 3.8 Distribution of the remaining £0.7m from the £3.3m allocation in the Settlement will be subject to future decision by the Scottish Government.
- 3.9 It is anticipated that future Barclay Review implementation funding allocated through the Settlement will be passed to the Board with full-year effect estimated at £0.4m.

## **Individual Electoral Registration (IER)**

- 3.10 The Board has a statutory responsibility to undertake Individual Electoral Registration (IER). IER was introduced in 2014. The Cabinet Office has stated its commitment to fund the additional annual costs associated with IER until 31st March 2020.
- 3.11 The IER process remains under review. Pilot exercises have informed proposed changes which shall, subject to final consultation, be implemented for the 2020 annual canvass. The intended procedural and legislative change to the annual canvass aims to streamline the current process and, apart from improvements to the registration/canvass outcome, create financial savings, to the extent that no additional funding from the Cabinet Office is required. Until the new process is fully established, there remains a risk that additional funding shall be required.
- 3.12 Currently this risk is mitigated in the short term using carry forward of Cabinet Office funding. The funding of IER costs beyond March 2020 and options to reduce cost through procedural change will be the subject of further discussion with the Cabinet Office.

## **4 Medium Term Financial Plan 2019/20 to 2022/23 – planning assumptions**

- 4.1 Development of a medium-term financial plan ought to be fully aligned with the future strategic direction and priorities of the Board. The Board's Corporate and Service Plan set out the priorities for the Board and the commitments that it will seek to deliver.
- 4.2 Projections have been made for the effect of anticipated pay award and other inflationary assumptions, as well as implementation of the recommendations of the Barclay Review and Individual Electoral Registration.

4.3 Council requisition funding is based on continuation of a ‘flat-cash’ position in each of the next four years. The potential is noted, however, for the overall savings requirement to increase should actual funding levels be lower than assumed.

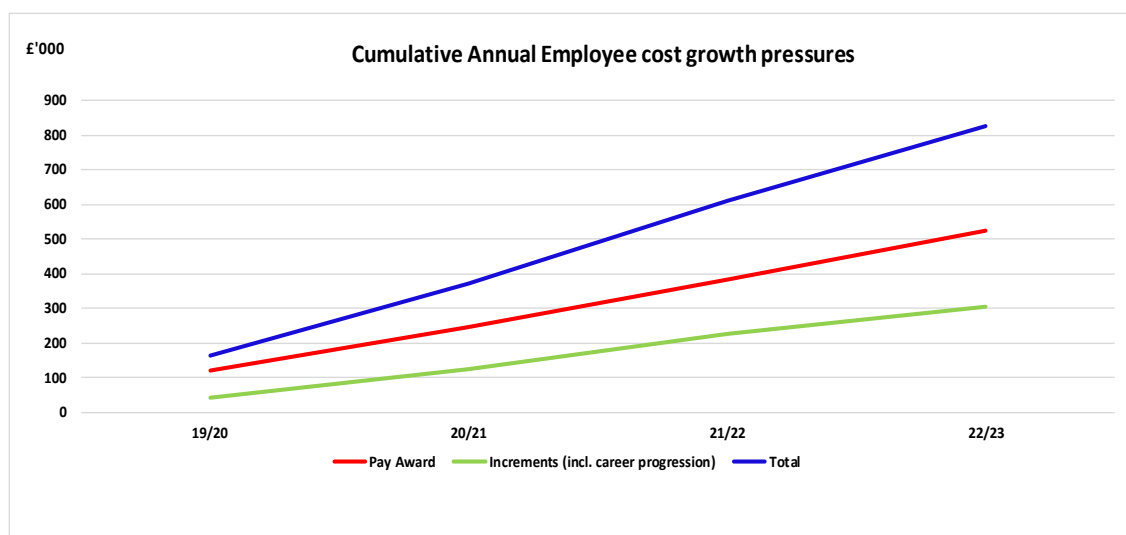
4.4 The principal cost increase assumptions contained within the framework are summarised below:

	2019/20	2020/21	2021/22	2022/23
<b>Expenditure</b>				
Employee pay award	3%	3%	3%	3%
Employee increments estimates	£43,000	£82,000	£103,000	£76,000
Pension Fund contributions	21.8%	21.8%	22.3%	22.8%
<b>Funding</b>				
Council Requisition change	0%	0%	0%	0%

4.5 Inescapable employee cost growth includes the cost of annual pay awards and increments. Pay awards are estimated to increase at 3% per annum, in line with the recently agreed three-year local government pay award. Increments are based on estimated actual additional cost.

4.6 Employer pension contribution rates are confirmed until 2020/21. A full review of contribution rates, including annual deficit repayments will be carried out as part of the 2020 Actuarial Valuation. Prior to confirmation of the outcome of the Actuarial Valuation, contribution rates are estimated to increase by 0.5% per annum.

4.7 Based on these cost increases, employee costs are forecast to increase by £0.827m (14%) from 2019/20 to 2022/23. The graph below illustrates the forecast growth in employee cost.



4.8 Individual Electoral Registration – current annual cost is approximately £0.270m. The Cabinet Office has confirmed ring-fenced grant funding until 2019/20. The Cabinet Office intend to declare the final model during 2019/20. Process change is likely during 2020/21 with full year budget savings/cost implication not being known until 2021/22. The medium-term financial planning assumption is that any unspent IER grant from the Cabinet Office at the end of 2019/20 will be required to fund additional ongoing IER costs until the ‘steady-state’ annual running cost of IER is known.

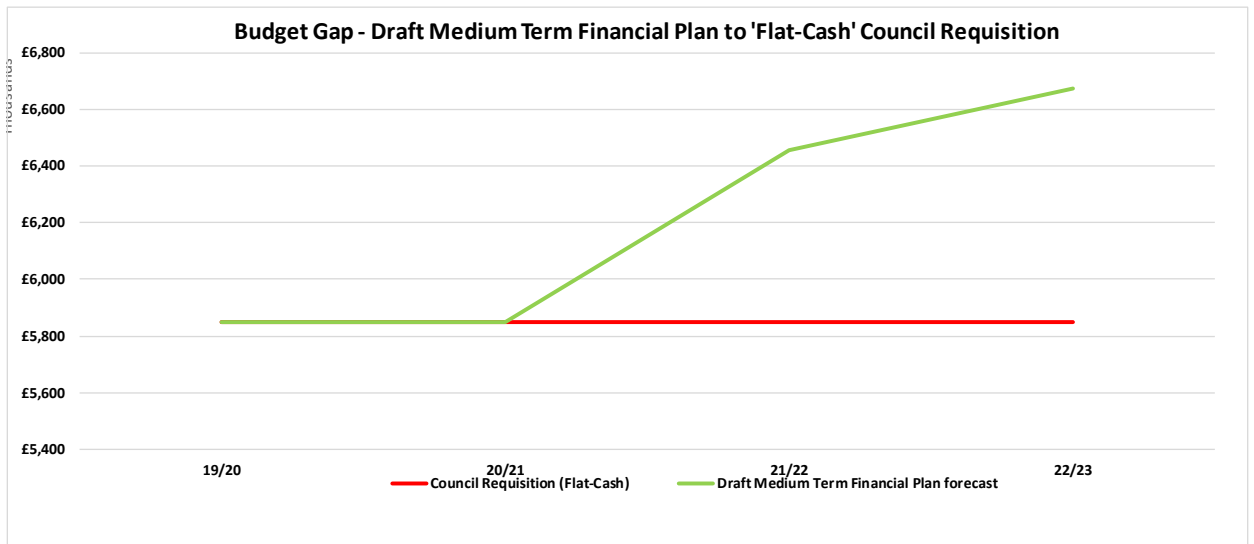
4.9 Barclay Review into Tax Rates for Non-Domestic Properties – the estimate of additional cost for the Board is approximately £0.4m per annum. The medium-

term financial planning assumption is this additional cost will be fully met through Scottish Government funding being passed to the Board through constituent council requisition.

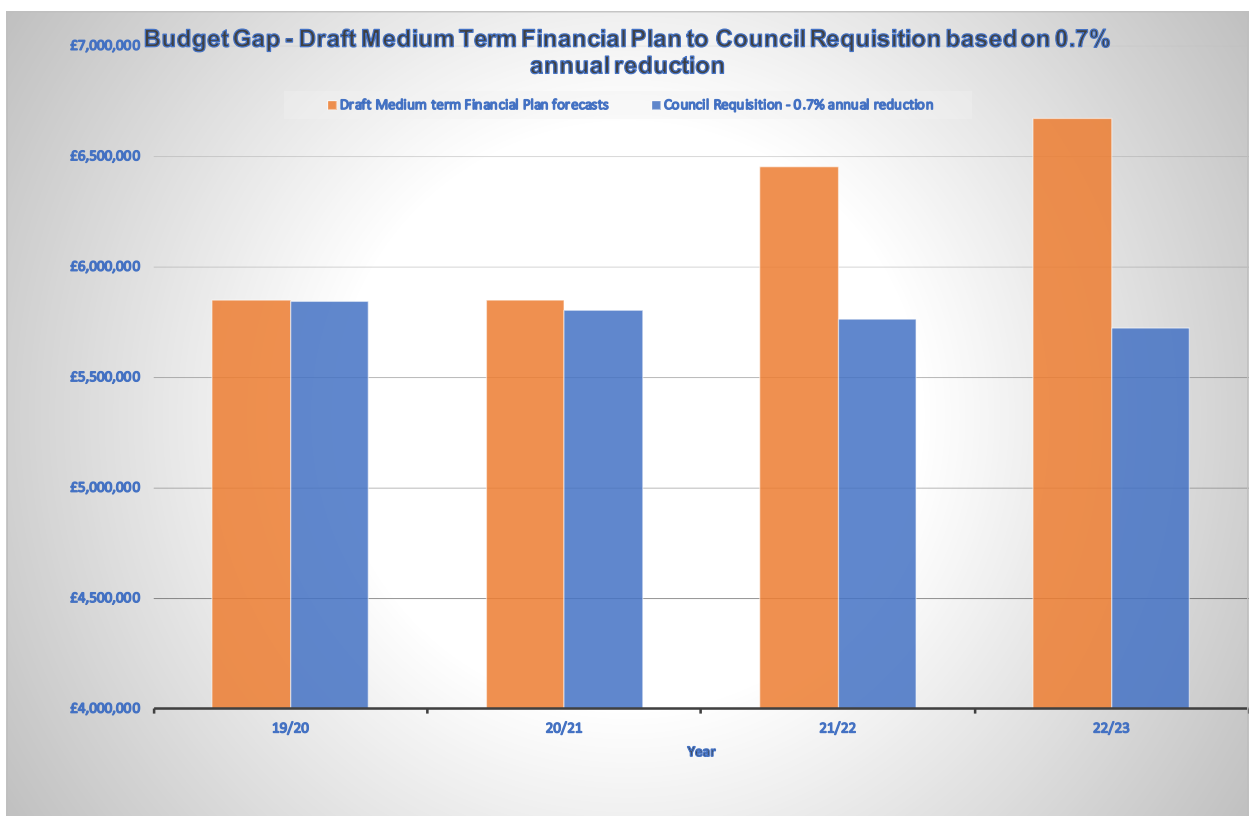
- 4.10 The Transformation Programme is ongoing, with further investigation into key processes and service delivery methodology in progress. A co-dependency exists between the Transformation Programme and the proposed legislative changes in respect of the Review of Non-Domestic Rating and Electoral Registration functions. Within the second phase the headline activities shall be:
- a drive on process modernisation and the application of enhanced ICT to key service deliverables;
  - the application of new technologies to external survey activities allowing the increased effectiveness of resources;
  - enhanced levels of internal communication and support aimed at promoting cultural change goals;
  - the further development of the performance framework providing more effective means of resource deployment, improved ways of working and support to the individual to meet their goals and targets;
  - further development of the training framework providing support to technical and managerial skills sets;
  - the introduction of new stakeholder engagement activities aimed at supporting the key Barclay recommendations.

Pending the outcome of the second phase, the medium-term financial plan assumes no additional costs or savings from the Transformation Programme. Savings in employee costs will only be achieved through the Transformation Programme, as it is essential that any changes in staffing is made in the context of successful delivery of the second phase of activities. Cost savings achieved will be required to address the future cost pressures shown in paragraph 4.4.

- 4.11 Non-employee costs account for 25% of the Board's budget. Since 2012, inflationary pressures and other unavoidable growth has been absorbed through regular reviews of costs to ensure best value for money. Where unavoidable cost increases have occurred, compensating savings from other budget heads have been identified. While a high level of scrutiny already exists in terms of non-employee expenditure, the medium term financial planning assumption is for this scrutiny to continue to create sustainable compensating savings that can mitigate unavoidable cost increases. Cost savings achieved will be required to address unavoidable increases in non-employee costs.
- 4.12 The Board has approved maintaining a minimum General Reserve level of 3% of annual requisition - £0.175m. The Board's General Reserve balance is currently £0.798m. Commitments against this to fund Barclay ICT Implementation costs and career progression increments are estimated at £0.197m. Based on these commitments, the uncommitted General Reserve balance is £0.601m. The medium-term financial plan assumes no further planned drawdown from the unallocated reserve.
- 4.13 Following recommendations of the Scottish Budget Review Group, the Scottish Government has indicated that it will bring forward a three-year funding settlement for local government from 2020/21 onwards. This may give the Board greater clarity to support medium-term financial planning.
- 4.14 Based on the medium-term financial planning assumptions detailed, the graph below illustrates the forecast growth in cost in comparison to forecast funding.



4.15 Pending greater clarity being available around a three-year funding settlement for local government, financial modelling has also been undertaken based on potential future reductions in constituent council requisitions. The graph below shows the impact of an illustrative reduction of a year-on-year reduction of 0.7%. This realises a funding gap of £0.949m (16%) by 2022/23.



4.16 Officers of the Board will continue to keep the accuracy and relevance of all assumptions under review. The Board will also be provided with regular updates during 2019/20 in advance of approving a budget for 2020/21 in February 2020.

## 5 Conclusion

5.1 The Board is facing competing pressures over the short and medium term. There is a requirement to introduce major legislative changes to key functions, set against unavoidable budget pressures unlikely to be met through sustainable additional funding.

5.2 To protect service delivery, provide the necessary support to introduce functional service change and support the short to medium funding position, the following measures will continue to be implemented:

5.2.1 continuation of the Transformation Programme, allowing periodic review of resource requirements;

5.2.2 continue to drive to make sustainable budget savings;

5.2.3 mitigate unavoidable budget pressures through drawdown from the unallocated reserves.

## **6 Recommendations**

The Board is recommended to note:

6.1 progress on the medium-term financial plan and that further updates will be provided to the Board during 2019/20 in advance of approving a budget for 2020/21;

6.2 future cost savings achieved will be required to address cost pressures as shown in paragraph 4.4

6.3 the Assessor and ERO will update the Board during 2019/20 of any changes to Barclay / IER with service and financial implications, both within the medium-term financial plan and the quarterly Board cycle.

**Hugh Dunn,  
Treasurer**

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Appendices:  
Contact/Tel:  
Background papers:

None  
Mr. I Shaw: 0131 469 3117  
Held at the Office of Treasurer



## **ASSESSOR'S PROGRESS REPORT TO THE LOTHIAN VALUATION JOINT BOARD**

23<sup>RD</sup> April 2019

### **1.0 INTRODUCTION**

The purpose of this report is to update members on current service delivery, priorities and issues.

### **2.0 ELECTORAL REGISTRATION**

#### **2.1 2018 Annual Household Canvass**

The 2018 annual household canvass concluded on the 1<sup>st</sup> December 2018 with the publication of the electoral register.

The number of HEFs and ITRs issued throughout the canvass period was 744,086 HEFs (429,960 initial, 183,709 1<sup>st</sup> reminder and 130,417 2<sup>nd</sup> reminders) and 109,554 ITRs (56,102 initial, 32,917 1<sup>st</sup> reminder and 20,535 2<sup>nd</sup> reminders). The HEF return rate achieved was 75% which compares with 70% in 2016 and 74% in 2017.

The total electorate as at publication was 658,992 which now, following continued canvasser activity, at 1<sup>st</sup> April 2019 stands at 662,308.

Throughout the canvass period 79,186 household canvass calls were made. This activity is ongoing with 27,835 calls in respect of outstanding ITRs being made in the last 3 months.

In respect of electronic response to the annual canvass, 148,463 responses were provided broken down as follows;

119,977 on-line (including e-canvass), 15,444 text, 13,042 telephone.

This compares with 106,361 electronic responses in 2016 and 118,256 in 2017.

## 2.2 Absent Vote Personal Identifier Refresh

Every year there is a need to undertake a refresh of AVPI information which has reached the 5<sup>th</sup> anniversary from its original submission. There is national co-ordination around this exercise with every ERO undertaking the process during January.

At register publication the standing list of Absent Votes was 123,497. Following the AVPI exercise, where 35,941 requests to provide refreshed identifying information were issued, the standing list number was 119,902.

## 2.3 Engagement Activities

The Engagement Officer continues to develop and strengthen our electoral engagement strategy. This strategy is built upon a foundation of a series of activities which together promote the overall profile of the organisation and the electoral registration process. These activities create a picture of targeted engagement reflecting either different elector groups or specific electoral events. Each of the activities is subject to review and evaluation which allows modification to be taken in respect of future activities. This ensures resource is being applied to the engagement process in the most effective manner.

A major focus since the end of the 2018 Household Canvass has been working with schools from each of the constituent council areas, encouraging engagement in the electoral process from an early age, whilst providing the opportunity for pupils to register to vote if they have not already done so. 1,219 pupils have been registered as a direct result of school visits by ERO staff, with an additional 4,000 pupil registrations achieved following the issue of ITR forms.

Additionally, a range of other engagement activities have been carried out over the last four months an example of which are outlined below:-

- Attendance at university events and emails issued to students to promote benefits of voter registration at term-time addresses.
- Registration drop-in sessions held to allow people to check their voter registration details ahead of by-elections.
- Attendance at Citizenship Ceremonies. 127 registrations achieved in the last 3 months.
- Further increase the Electoral Registration Office's social media profile through twitter feed - @EROLothianVJB.
- Presentation to service personnel at Glencourse Barracks 'Briefing Day' on the benefits of electoral registration and registration options for service electors.
- Over 12,000 ITRs issued to new Council Tax Payers using a Data Mining software which significantly improves the process.
- Online and in-print advertising in various publications to promote voter registration, particularly through the online system.



## **2.4 Edinburgh/Ward 12 Leith Walk By-Election & East Lothian/Ward 5 Haddington & Lammermuir By-Election**

Two by-elections have been called in the Lothian area. These are Edinburgh Ward 12 Leith Walk to be held on the 11<sup>th</sup> April, and East Lothian Ward 5 Haddington & Lammermuir to be held on the 9<sup>th</sup> May. The electorate numbers in these wards are 24,197 and 14,229 respectively.

The closing dates for last applications to register and last date to submit an absent vote application for the Leith Walk Ward were 26 March and 27 March, while for the Haddington & Lammermuir Ward the dates were 22 April and 23 April.

In order to increase organisational resilience during election periods both these by-elections shall be used as training events for less experienced members of the electoral registration and elections team. While being under constant supervision, it shall allow additional staff to become more familiar with the specific and detailed process requirements surrounding these events. This additional knowledge base shall prove invaluable in the event of a major national election or referendum event.

## **2.5 2020 Annual Household Canvass – Update**

Significant progress is being made at a national level to develop plans to support the changes to the 2020 annual household canvass. Both the Cabinet Office and Electoral Commission have issued documentation to advise of the changes and the steps that require to be taken during 2019 and 2020. In terms of the enabling legislation this is expected to be in place by 2020.

At the Board meeting of 5<sup>th</sup> November 2018 information was provided outlining the canvass process to be adopted from 2020. This involves, following an electoral matching process, the use of 2 routes, one being identified as a “lighter” touch canvass while the other follows a similar path as existing. The primary deciding factor between the two routes being whether all electors in a household had successfully been matched with DWP data.

The results from this matching exercise can be supported by a further local match with locally available data, the aim being to improve the overall match rate and maximise the application of route 1. During the switch to IER in 2014 Council Tax Payers lists were used to support the matching process undertaken at that time. It is the intention to utilise this data set again as part of the new canvass model.

The Cabinet Office has recommended that EROs undertake test exercises involving local data sets during 2019. This shall allow EROs to become familiar with new processes surrounding data manipulation and EMS system changes. By taking cuts of register data and comparing these to local data sets EROs shall be better informed on the currency and quality of the local data.

The Cabinet Office also intend to undertake a test exercise in respect of the national data match process in early 2020. While further detail is expected this, in combination with the local data match exercise, shall give EROs reasonable confidence of the scale of adoption of either of the new canvass routes ahead of commencing the 2020 canvass. This shall aid resource allocation to the various elements of the process and allow a higher level of accuracy concerning canvass cost estimates.

In addition the Cabinet Office are currently developing a third canvass route for those properties or elector groups where traditionally effective engagement has been problematic and where it can be anticipated that the routes 1 and 2 would provide unsatisfactory results. Examples of such groups are residential care homes, HMOs, student residences and hostels. The current proposal is where a “responsible person” can be identified in these establishments who lawfully holds the necessary information on residents they can be approached by the ERO. This route shall be optional and an ERO may choose not to utilise it.

Further update information shall be provided throughout the year to the Board on preparations for the 2020 canvass.

### 3.0 COUNCIL TAX

The table below indicates the number of new houses added to the List by authority over the period 1<sup>st</sup> January 2019 to 31<sup>st</sup> March 2019. In addition the number of bandings increased due to a point of sale adjustment is also included.

<b>Band</b>	<b>Edinburgh</b>	<b>Midlothian</b>	<b>West Lothian</b>	<b>East Lothian</b>
A	33	1	0	0
B	79	3	23	5
C	94	46	59	12
D	148	43	57	30
E	127	12	42	41
F	56	33	37	29
G	72	31	13	57
H	12	0	2	5
<b>Total</b>	<b>621</b>	<b>169</b>	<b>233</b>	<b>179</b>

<b>Point of Sale Increases</b>	<b>Edinburgh</b>	<b>Midlothian</b>	<b>West Lothian</b>	<b>East Lothian</b>
<b>01/01/19 - 31/03/19</b>	<b>44</b>	<b>8</b>	<b>15</b>	<b>10</b>

## **4.0 NON DOMESTIC RATING**

### **4.1 2017 Revaluation Appeal Disposal**

The main focus of NDR activity remains the disposal of 2017 Revaluation appeals. During the period from 1<sup>st</sup> January to date 877 appeals have been disposed of with a further 1,293 currently under citation. As at 31<sup>st</sup> March 2019, and following an appeal disposal start date in March 2018, 50% of all revaluation appeals lodged have been cleared.

Since the start of 2019 more complex and therefore contentious subjects have been dealt with such as cafes, restaurants, hot food takeaways, and self-catering units. As this year develops further progress shall be made with non-bulk subjects. Due to inherent complexities with certain categories, a reduction in the number of appeals dealt with during 2019 in comparison to 2018 is likely to result.

To date, 4,849 appeals have been withdrawn with no reduction while 1,487 have secured a reduction in value. In terms of total rateable value of those appeals dealt with so far, an overall reduction in total rateable value of 1.31% has resulted.

### **4.2 Commercial Rental Evidence (CRE) Form Issue**

Traditionally CRE forms would be issued to all parties associated with let subjects appearing in the Valuation Roll in or around the tone date of a revaluation. This would be supplemented with another issue the following year. The CRE form gathers important information needed to support and inform the process of revaluation and production of the new valuation roll. The previous approach involved the issue of many thousands of forms over a very limited time causing pressure on resources both in terms of the creation and issue/return process, but also the subsequent activity of rental analysis and the assessment of levels of values.

This is a crucial element in the delivery of every revaluation. Using the information returned, Assessors create their schemes of valuation and the levels of value to be applied to the majority of subjects in the Roll and it is against this information that values are subsequently defended during the appeal process.

As part of the preparation for NDR Reform a process for the rolling issue of CRE forms has been developed. Alterations to the Roll and the anniversary dates of lease arrangements create an automatic issue of CRE forms. Commencing in February 2019 this is now a weekly process involving 100 to 200 forms. The combination of regular issue and out-sourcing the print/post process has resulted in a better use of resources and allows the task of form analysis to be integrated into business as usual activities rather than one that involved the reprioritising of significant resource levels between tasks.

Of importance is the level of return that is achieved resulting from an issue. The more information received the more accurate the assessment of rateable values shall be. During the 2017 Revaluation process approximately 55% of all forms issued were returned.

Early indications are that similar return levels are being achieved at present. There is a requirement to improve the messaging to ratepayers in respect of the need to return information and this shall be developed through the current Engagement Strategy. Within the NDR Reform draft legislation provision exists to expand those parties that Assessors can call upon to provide information and the imposition of a civil penalty for non-return of information. Better provision of information is crucial to the successful delivery of 3 yearly revaluation.

### **4.3 Rental Trend Report**

As part of the NDR Reform Engagement Project it was identified that the creation of a report that provides ratepayers and other interested parties with information indicating the movement of rental values from the tone date of a revaluation to the next revaluation period could be used to give an indication of the scale of impact the next revaluation would have on existing rateable values.

This report is currently nearing first draft completion and following pre-publication feedback from interested external partners and organisations shall be launched on the LVJB website. A full report shall be provided to the Board on this engagement exercise at its next meeting in June.

## **5.0 TRANSFORMATION & CULTURAL CHANGE PROGRAMME (TCCP)/NDR REFORM**

As has been identified within the Budget Strategy Report 2019 - 2024 the TCCP is a continuing process of review, modernisation and improvement with outcomes spanning a wide spectrum from budget savings to successful delivery of NDR Reform.

Both the TCCP and NDR Reform Strategy share the following projects that are being actively progressed within the organisation;

- ICT developments supporting the revaluation process, these include the CRE process, rental analysis, assessing levels of value and the creation of values, appeal disposal processes, and the management of the Valuation Roll as it passes from one revaluation phase to another.
- The implementation of process improvements to the Council Tax new house insert process creating opportunities for better use of resources.
- A performance framework that investigates and introduces new and better ways of working allowing better use of resources as set against a competing and challenging set of priorities.

- A training framework that provides support and guidance to staff required to undertake professional career development, the refresh and development of professional technical skills and knowledge, and the development of management and leadership skill sets.
- An Engagement Strategy that supports the Barclay requirement to increase ratepayer understanding of the NDR system, making the valuation process more transparent thereby supporting the drive to reduce appeal volumes.

All of these projects are supported on an ongoing basis by the Project Management Board with overall governance and intervention undertaken by the Assessor. City of Edinburgh Council have recently undertaken an audit on preparations for NDR Reform the results of which shall provide additional focus and direction to the implementation and successful delivery of projects.

Underpinning the overall aims of the TCCP and supporting the process of cultural change the following have commenced or shall commence shortly;

- The appointment of NDR Champions to improve communication to staff on NDR Reform, its implications and how we aim to deliver.
- The creation of a Wider Leadership Team promoting discussion and problem solving of major issues affecting the organisation.
- Direct communication between the Corporate Leadership Team and various staff groups facilitating communication, reinforcement of the change process and influencing the future vision of the organisation.
- A temporary realignment of the responsibilities of the Assistant Assessor post providing greater focus on the identified TCCP/NDR Reform projects and a reinforcement of cultural change.

## **6.0 GOVERNANCE**

An annual report on the activities of the Governance Committee shall be provided at the next meeting of the Board in June.

However noted below are some of the activities undertaken by the Committee during the period January to March 2019;

- A full review of our Risk Management Policy with an evaluation of existing risk registers. This has resulted in the creation of a set of 3 registers focussing on corporate, project and service area risk. Items of risk have been reassessed and reallocated to enable improved management and oversight.
- A review of the Business Continuity Plan is currently in progress. This is to ensure its adequacy, robustness and effectiveness. A disaster scenario session will be held with the corporate team and other relevant staff members as part of this review.

- In accordance with data access and security requirements, the Committee have reviewed existing arrangements and have requested the provision of a bi-monthly report detailing backup and system checks, firewall activity, security incidents, attacks/email interceptions etc. This includes a timetable for further security simulation tests and enforcement of our clear desk policy following the implementation of regular checking exercises.

## **7.0 RECOMMENDATION**

The Board is asked to note the contents of this report.

**Graeme Strachan**  
**ASSESSOR & ERO**



## **UPDATE ON NON DOMESTIC RATES REFORM**

23<sup>RD</sup> April 2019

### **1.0 INTRODUCTION**

**1.1** This report provides the Board with a further update on the progress being made at both a national and local level in respect of NDR Reform following the recommendations arising from the 2017 Barclay Review of Non Domestic Rating.

### **2.0 LEGISLATION**

**2.1** On the 25<sup>th</sup> March 2019 draft primary legislation entitled the “Non Domestic Rating Reform (Scotland) Bill” was laid before the Scottish Parliament. This shall now pass through various phases of consideration, evidence gathering, review and amendment with the expectation that it shall appear in statute with effect from 1<sup>st</sup> April 2020.

**2.2** The Bill contains the following key legislation that is of particular importance to Assessors;

- The introduction of a 3 yearly revaluation cycle.
- Provision for the supply of additional information that may be included with a valuation notice.
- The introduction of two phase proposal/appeal framework anticipating that ratepayers shall first lodge proposals with their local assessor followed by an appeal to the Valuation Appeal Committee (to become the part of the Scottish Tribunal Service in 2022) should there be a failure to reach agreement.
- Provision for further detail on this new framework to be developed through secondary regulation.
- Provision for a fee to be charged should ratepayers which to proceed to appeal.
- Provision for values to be increased by the Valuation Appeal Committee following appeal hearing.
- Increased powers for Assessors in respect of the parties that can be requested to provide information to support the valuation process.
- Powers to Assessors to impose a civil penalty on those parties who fail to provide information requested.
- The requirement for Assessors to place markers against relevant valuation roll entries providing an indication that BGA reliefs may apply.

- Provision for entries to made in the Roll in respect of commercial activities in Parks.

**2.3** It is anticipated that the Barclay Implementation Advisory Group Appeal Sub Group shall continue to meet throughout the summer to inform discussion surrounding the secondary regulations that are required to support the new proposal/appeal framework and any other identified elements of the Bill. The sub-group comprises representation from Scottish Government, the Scottish Assessors Association, RICS Scotland, Scottish Valuation Appeal Committees, and ratepayer organisations.

### **3.0 NDR REFORM IMPLEMENTATION PROGRESS**

#### **3.1 Barclay Roadmap**

The Roadmap milestone dates may be subject to change following consideration by Scottish Government in respect of such deliverables as release dates for draft revaluation values, provision of Valuation Notices and periods within which to lodge proposals and appeals. As soon as these issues are decided the Roadmap shall be amended accordingly and an impact assessment undertaken to ensure the required outcomes shall be delivered.

#### **3.2 Projects Supporting Implementation of NDR Reform**

The projects supporting the successful implementation of NDR Reform include enhancing ICT systems and process improvement, engagement activities, and developing training and performance frameworks. This results in focus being given to systems and processes, staff resources and skills, and external stakeholders. The outcomes of these projects shall satisfy the legislative reforms and key elements of the Barclay Review of NDR recommendations. Progress in accordance with individual project implementation plans is being made with support provided by the Project Management Board. A governance and intervention role is undertaken by the Assessor.

#### **3.3 Scottish Assessors Association**

The Scottish Assessors Association have recently appointed an Assessor as SAA Project Manager supporting NDR Reform. The scope and remit is currently under development however it is anticipated that the role shall provide support to SAA national deliverables while at a local level ensuring local activities, where required, comply with an overarching national timeframe and a set of shared outcomes.



## **4.0 FINANCIAL IMPLICATIONS**

The current anticipated annual funding levels to support the NDR Reforms are as follows, 2019/20 £154k, 2020/21 £279k, 2021/22 £350k, 2022/23 £350k, 2023/24 £358k and 2024/25 £379k.

It is anticipated that the funding for 2019/20 shall be forthcoming from councils shortly. This figure represents a part year recruitment process. As detail develops later this year regarding the new proposal/appeal framework a final decision shall be made on the exact nature of the additional staff resource required.

## **5.0 NDR REFORM RISK REGISTER**

Attached is the latest version of the NDR Reform Risk Register. This indicates the steps taken to mitigate identified risks and any required further action. Since the last Board meeting in November 2018 the RAG statuses have altered as follows, Red Status entries have reduced from 7 to 1, Amber reduced from 10 to 7, and Green increased from 7 to 16.

Following discussion with the Governance Committee, who monitor the NDR Reform Risk Register, it has been agreed that a re-iteration of the register be undertaken to more closely align it with the progress being made with specific implementation activities.

## **6.0 RECOMMENDATION**

The Board is asked to note the content of this report.

**Graeme Strachan**  
**ASSESSOR & ERO**

Risk Description	Category	Pre mitigation Rag Rating	Mitigation & Controls	Post mitigation Rag Rating	Allocation	Further Action	Responsibility	Action Date
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1	Failure to secure additional funding	Finances		The requirement for funding to support the delivery of Barclay requirements has been recognised in the Scottish Government 2019/20 Budget Settlement to Councils. £2.5m has been allocated within the national budget settlement as a funding allocation to Assessors. Following discussion COSLA/SG have recommended to Councils that funding be allocated in accordance with the SAA request that dispersal should accord with the individual requirements of each Assessor.		G Strachan	Each constituent council of the Board has now received notification of the additional funding requisition for 2019/20 required to support NDR Reform. Monitor to ensure provision.	G Strachan	May 19
2	Failure to estimate adequate additional funding	Finances		Following publication of the Non-Domestic Rates (Scotland) Bill clarity is now emerging on key aspects of NDR Reform. The 2019/20 funding request has been refined to allow time to reflect on recruitment requirements set against the emerging detail. Funding to support Barclay Implementation shall form part of an annual submission process to COSLA/Scottish Government. This allows the opportunity to review funding levels in future years.		G Strachan	Further investigation is required, reflecting on ongoing legislative clarity and internal project development, as to the most effective application of funding.	G Strachan	June 19
3	Annual reduction in Core funding	Finances		2019/20 core budget settlement is anticipated as a no- growth settlement. A performance factor is in place to assist with mitigation of the 2019/20 budget risks, including, subject to approval, drawdown from reserve funds.		G Strachan	A short to medium term Budget Strategy Plan for 2019/2024 is due for presentation at the Board meeting on the 23 April 2019.	G Strachan	April 19
4	Delays with Barclay legislation	Legislation		The NDR (Scotland) Bill was laid before Parliament on 25 March 2019. This shall pass through the various phases allowing it to enter the statue books by 1 <sup>st</sup> April 2020. Discussion with SG on enabling secondary regulations is expected throughout 2019.		G Strachan	Continue to monitor.	G Strachan	July 19

Risk Description		Category	Pre mitigation Rag Rating	Mitigation & Controls	Post mitigation Rag Rating	Allocation	Further Action	Responsibility	Action Date
5	Lack of clarity within Barclay legislation	Legislation	Moderate	Through the Barclay Implementation Advisory Group Appeals Sub Group key stakeholders are involved in discussions surrounding draft legislation proposals. Open channels of communication exist between stakeholder groups.	Moderate	G Strachan	Continue to liaise and monitor.	CLT	July 2019
6	Project Board failure to ensure implementation of Barclay Roadmap	PB	Major	The Barclay Roadmap represents a set of milestone dates for key deliverables. The map is underpinned by a series of internal projects aimed at ensuring the required objectives are met. The map is subject to regular review and as clarity develops from discussion with SG throughout 2019 it shall be modified accordingly. The PMB supports the delivery of key project objectives with overall governance and intervention lying with the Assessor. Current project progress is in line with individual project plans.	Moderate	G Strachan	Continue to monitor.	Head of Gov.	Ongoing
7	Lack of CLT consensus on Barclay Roadmap detail	PB	Major	The CLT are fully supportive of the current Barclay Roadmap that was ratified in November 2018 and reviewed in March 2019.	Moderate	G Strachan	Further review planned September 2019.	CLT	Sept 2019
8	Failure within CLT to adopt roles, deliver on requirements, maintain momentum on Barclay Roadmap.	PB	Major	Following adoption of the Barclay Roadmap all CLT members are aware of the specific roles and responsibilities they have. These are embedded within the project implementation process. This has been reinforced following the review meeting in March 2019 where a temporary realignment of responsibilities for key senior posts was agreed that shall allow greater focus on various aspects of NDR Reform delivery.	Moderate	G Strachan	Continue to monitor.	G Strachan	Ongoing
9	Lack of resilience, robustness within Barclay Roadmap	PB	Major	The Roadmap is currently constructed to allow for review and amendment especially as further granular detail on requirements emerges. The map is however underpinned by key legislative requirement that provide fixed points within the journey.	Moderate	G Strachan	Conduct regular reviews.	CLT	Sept 2019

Risk Description		Category	Pre mitigation Rag Rating	Mitigation & Controls	Post mitigation Rag Rating	Allocation	Further Action	Responsibility	Action Date
10	Failure to identify risks within Roadmap process	PB		Further detail is expected to emerge throughout the summer surrounding national milestone dates. As these clarify, the Roadmap shall be reviewed and amended allowing a more accurate assessment of risk.		G Strachan	A reiteration of the NDR Reform Risk Register shall be carried out reflecting the next and more detailed phase of progress towards implementation.	CLT	Sept 2019
11	Failure of ancillary projects that underpin and support Barclay delivery	PB		The projects underpinning Barclay delivery are in progress and subject to PMB support with governance and intervention lying with the Assessor.		G Strachan	Maintain PMB activity and schedule regular governance/ intervention meetings.	Project Board/G Strachan	April 2019
12	Lack of ICT resource to support Barclay requirements	ICT		ICT plays a crucial part in the successful delivery of Barclay. Access to the LVJB reserve fund has secured funding for additional development resource to underpin the key development areas.		B Callaghan	Continue to monitor ICT requirements.	B Callaghan	Ongoing
13	Lack of, inaccurate specification for ICT development provided	ICT		Staff allocation to key projects has been undertaken. The project initiation process ensures the proper specification process that matches to required deliverables is followed. This allows ICT development to proceed on secure basis. The recent realignment of senior staff responsibilities shall support the need for accurate specifications to be delivered to ICT.		B Callaghan	Monitor and review.	Project Board	Ongoing
14	Required ICT Development fails or is not delivered on time	ICT		The accompanying ICT timetable that underpins Barclay delivery and specifically the identified projects is reviewed regularly by the PMB. Appropriate resource shall be applied to any testing requirements in due course.		B Callaghan	Monitor and review ICT Project timetables.	Project Board	Ongoing
15	Lack of Technical staff resource to deliver Barclay requirements	Resources		Delivery of primary Barclay requirements is a combination of ICT development, additional funding, and optimum organisational deployment of available technical resources reflecting all service delivery demands. Through the Barclay Roadmap and associated material, all of these elements are		G Strachan	Continue to reflect on this risk throughout the year and as further definition is given to the key deliverables and associated	CLT	Sept 2019

Risk Description	Category	Pre mitigation Rag Rating	Mitigation & Controls	Post mitigation Rag Rating	Allocation	Further Action	Responsibility	Action Date
			currently under progress, review, discussion and consideration. When total granularity emerges on all key deliverables each of these elements shall be assessed to ensure they are fully supportive of the required outcome.			timeline. Undertake final reflections in Autumn 2019.		
16	Lack of Administrative resource to deliver Barclay requirements	Resources	Certain Barclay requirements involve increased activity of an administrative nature for example the processing of civil penalties, the continuous flow of ingathered information, and the monitoring of SCU's. These tasks as yet not clearly defined could fall within any/all of the non-technical staff areas. This has been recognised in the additional funding request.		CLT	Continue to monitor and assess.	CLT	Sept 2019
17	Organisational staffing structure fails to support Barclay delivery	Resources	As granularity emerges in respect of key Barclay deliverables the Roadmap and underpinning projects shall be subject to review. This shall include a reflection on the organisational structure and its ability to provide full support to the key objectives. The recent realignment of senior staff responsibilities is focus on the change requirement and ensuring resources are used effectively in support of NDR Reform.		G Strachan	Continue to monitor and assess impacts of projects that support organisational development and the change process.	CLT	Sept 2019
18	Unrecognised impact on VR maintenance tasks arising from Barclay requirements	Resources	Barclay shall bring into sharp focus the need to balance resources against competing service delivery demands. The ongoing Transformation Programme is focused on effective allocation of resource supported by effective process review.		G Strachan	Continue to monitor and assess impacts of projects that support organisational development and the change process.	CLT	Sept 2019
19	Ancillary internal processes unable to support Barclay delivery	Process	The Roadmap/implementation plan should identify any existing internal process which shall come under pressure and require review and change. These shall be taken up by the PMB for investigation.		B Callaghan	Identify as a dependency and consider at next formal review meeting.	CLT	Sept 2019

Risk Description		Category	Pre mitigation Rag Rating	Mitigation & Controls	Post mitigation Rag Rating	Allocation	Further Action	Responsibility	Action Date
20	Lack of internal communication throughout delivery process	Comms.	Major	Existing communication channels through CLT, WLT and smaller group meetings are currently providing the mechanisms to inform on Barclay developments.	Moderate	CLT	An enhanced communication programme, supported by NDR Reform Champions, shall be created. Focus on this is provided by the publication of draft legislation, the development of identified projects and the further detailed information that shall emerge during 2019.	CLT	May 2019
21	Lack of external communication throughout delivery process	Comms	Major	Communication to the Board is currently provided through the existing reporting mechanisms by the Assessor. Any additional meetings can be provided as necessary.	Moderate	G Strachan		G Strachan	Ongoing
22	Lack of ratepayer engagement undermining the information gathering process	Comms	Major	This forms part of an identified project work stream underpinning the Barclay Road map and as such comes under the management of the PMB and CLT through which performance shall be monitored. A larger and wider communication process shall be undertaken by Scottish Government and the SAA.	Moderate	B Callaghan		Project Board	Ongoing
23	Lack of co-ordination at a national and SAA level to ensure successful delivery of Barclay	Comms.	Significant	The SAA is working closely with SG and COSLA to ensure successful delivery of all Barclay requirements. The SAA has appointed a NDR Reform Project Manager to assist with deliver in the national context.	Moderate	G Strachan		G Strachan	Ongoing
24	Lack of adequate training provided to staff to ensure Barclay delivery	Training	Significant	The Roadmap has identified the need for a Training Framework that provides the necessary training and support to staff responsible for delivering on an ongoing basis the key Barclay requirements. This Training programme has already been initiated.	Moderate	CLT	Monitor, review and continue to develop the Training Framework.	CLT	Ongoing

## External Audit Plan 2018/19

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23rd April 2019

### 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 2018/19 outlines the proposed main areas of scrutiny and timescales for 2018/19 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 2017/18 Annual Audit Report by the Board on 3rd September 2018, 2018/19 is the third year of the five-year appointment. The proposed plan for the forthcoming audit is included in Appendix 1 – External Audit Plan 2018/19.
- 2.2 A timetable of key audit outputs is included in Section 6 of the Plan (page 17-19).
- 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 page 16. For 2018/19, 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 2018/19.

**Hugh Dunn,  
Treasurer.**

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<b>Appendices:</b>	External Audit Plan 2018/19
<b>Contact/Tel:</b>	Mr. I Shaw: 0131 469 3117
<b>Background Papers:</b>	None



# Lothian Valuation Joint Board

External Audit Plan  
2018/19

April 2019





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# 1. Introduction

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## Introduction

1. This document summarises the work plan for our 2018/19 external audit of Lothian Valuation Joint Board (“the Board”).
2. The core elements of our work include:
  - an audit of the 2018/19 annual accounts;
  - a review, where applicable, of the Board’s 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 2018/19 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.

## Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we will comply with Financial Reporting Council’s (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way.

## Adding value through the audit

8. 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.

## Feedback

9. 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](http://www.surveymonkey.co.uk/r/S2SPZBX)
10. While this plan is addressed to the Board, it will be published on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).



# 2. Respective responsibilities of the auditor and the Board

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## Respective responsibilities of the auditor and the Board

### Auditor responsibilities

#### Code of Audit Practice

11. 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.

#### Our responsibilities

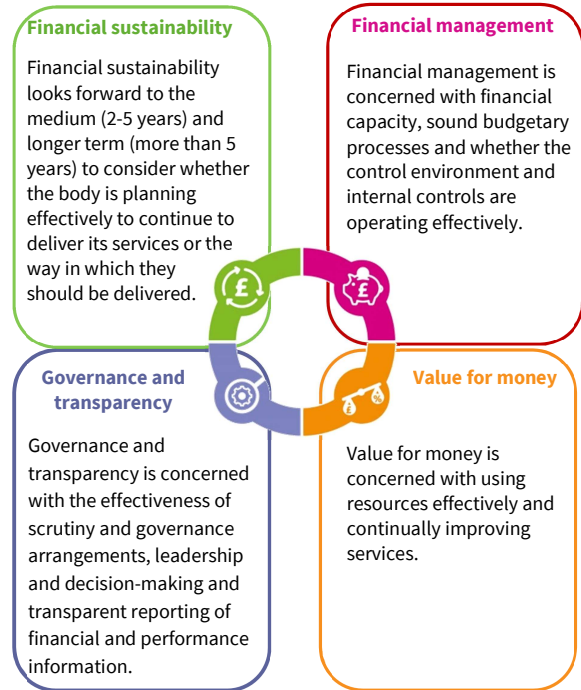
12. Auditor responsibilities are derived from statute, the Code, International Standards on Auditing (UK) (ISAs (UK)), professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities (paragraph 14). These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards
  - provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions
  - 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
13. Weaknesses or risks identified by auditors are only those which have come to their attention 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.

#### Wider scope audit work

14. 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

### Exhibit 1: Audit dimensions of wider scope public audit



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.

15. The Code sets out four audit dimensions that frame the wider scope audit work into identifiable audit areas. These are summarised in Exhibit 1.
16. 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.
17. Our assessment takes into account the size, nature and risks of the Board. Taking these factors into



consideration, we have concluded that application of the restricted wider scope is appropriate to the Board.

### Best Value

18. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.
19. Our work in respect of the Board's best value arrangements will be integrated into our audit approach, including our work on the wider scope audit dimensions referred to above.

### Strategic audit priorities for local government audits

20. The Accounts Commission has set out the following five strategic Audit Priorities that it expects auditors to consider in all work across local government:
  - Having clear priorities with a focus on outcomes, supported by effective long term planning
  - Demonstrating the effective appraisal of options for changing how services are delivered in line with their priorities

- Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future
  - Empowering local communities and involving them in the design and delivery of local services and planning for their local area
  - Reporting the organisation's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
21. Our consideration of these priorities will be integrated into our 2018/19 audit work. The extent to which we will report on these will be dependent on the findings of our work as it relates to the four dimensions referred to above.

### Board responsibilities

22. The Board has 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 2 – Board responsibilities

Area	Board responsibilities
<p><b>Financial statements:</b> 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"> <li>• 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</li> <li>• 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</li> <li>• maintaining proper accounting records</li> <li>• 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</li> </ul>



Area	Board responsibilities
<p><b>Financial sustainability:</b> Financial sustainability looks forward to the medium and longer term to consider whether the organisation is planning effectively to continue to fulfil 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"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with any statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• How the organisation plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Financial management:</b> Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>The Board is responsible for ensuring that financial affairs are conducted in a proper manner. Management is 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 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>
<p><b>Governance and transparency:</b> 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>	<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. Those charged with governance should be involved in monitoring these arrangements.</p> <p>The Board is also responsible for establishing effective and appropriate internal audit and risk management functions.</p>
<p><b>Value for money:</b> Value for money is concerned with the appropriate use of resources and ensuring continual improvement of services delivered.</p>	<p>The Board have a specific responsibility to ensure that arrangements have been made to secure best value. The Board is 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

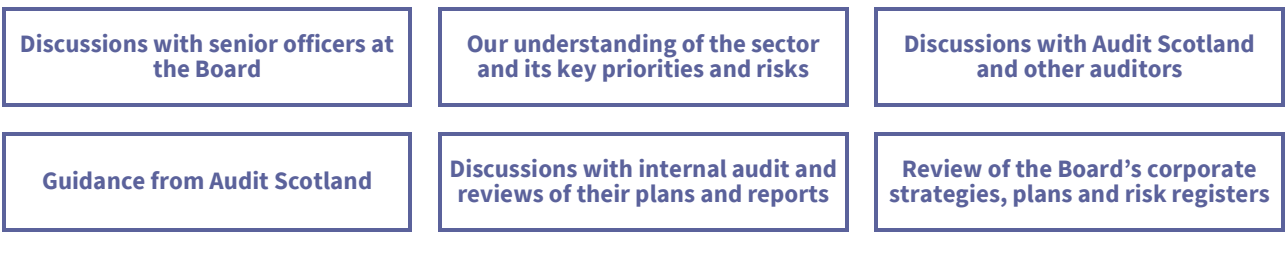
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# Audit strategy

## Risk-based audit approach

23. 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:



24. 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

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

### Professional standards and guidance

26. We perform our audit of the financial statements 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).

### Partnership working

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

### Audit Scotland

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

29. 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 the local level.
30. During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

### Internal audit

31. 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 service 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 to the Board is used efficiently and effectively.



## Service organisation

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32. The Board uses the City of Edinburgh Council (the “Council”) to provide financial ledger services. We will work with the Council to understand the controls in place.



# 4. Annual accounts

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## Annual accounts

### Introduction

33. 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 set out our approach to the audit of the Board's annual accounts.

### Approach to audit of the annual accounts

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

#### Risk-based audit planning

35. 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

36. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
37. 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.
38. We will take cognisance of any relevant internal audit reviews of systems and controls.
39. 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

40. 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.
41. 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 2018/19 (the Code).

### Independent auditor's report

42. Our opinion on whether the annual accounts 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.
43. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

### Materiality

44. 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.
45. Our initial assessment of materiality for the annual accounts is £144,000, approximately 2% of the Board's 2017/18 gross expenditure.
46. As noted above, our initial assessment of materiality is set with reference to gross expenditure. We consider this 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.
47. Performance materiality is the amount set by the auditor at less than overall materiality for the annual accounts as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the annual accounts as a whole.
48. 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 at significant risk of material misstatement.



Area risk assessment			
	£		
	High	Medium	Low
Performance materiality	65,000	79,000	101,000

49. 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; and

- Other misstatements below the 5% threshold that we believe warrant reporting on qualitative grounds.

### Key audit risks in the annual accounts

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

## Exhibit 3 – Key audit risks in the annual accounts

### 1. Management override

In any organisation, there exists a risk that management has 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*.

51. 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 were valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this key audit risk. We will review the key accounting estimates, judgements and decisions made by management. This will include, for example, depreciation rates.

### 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.

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



### 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.

53. In response to this risk we will evaluate the significant expenditure streams at the Board (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 Board’s key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

### 4. Pension Assumptions

An actuarial estimate of the pension fund assets and liabilities is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up-to-date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities.

Due to the timing of the publication of unaudited accounts, IAS 19 valuations are typically performed in advance of actual investment returns being available. This results in the valuation also including an assumption regarding the investment returns of assets held by the fund for the final quarter of the financial year. Financial markets have experienced significant volatility in the last year and this trend has continued into 2019 which may result in challenges in estimating expected return on assets.

54. We will review the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate. We will review the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data. We will agree the disclosures in the financial statements to information provided by the actuary.

## Management commentary, Remuneration report and Annual governance statement

55. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

### Management Commentary

56. We are required to review the management commentary and ensure it is consistent with the financial statements and also confirm it has been

prepared in accordance with the statutory guidance issued under the Local Government Scotland Act 2003.

### Remuneration report

57. We are required to review the audited part of the remuneration report and confirm that it has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### Annual Governance Statement

58. We will review the annual governance statement and assess whether it is consistent with the annual accounts and whether it has been properly prepared in



accordance with the Delivering Good Governance Framework (2016).





# 5. Wider scope audit

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## Wider scope audit

### Introduction

59. 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.

60. Our planned audit work against these two areas is risk based and proportionate. Our initial assessment builds upon the understanding of the Board which we developed from previous years, along with discussions

with management and review of Board minutes and key strategy documents.

61. In 2018/19 we have also considered the following risk areas as they relate to the Board:

- EU withdrawal
- Changing landscape of public financial management
- Dependency on key suppliers
- Openness and transparency

62. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4). Audit planning is a continuous process and we will report any identified significant risks, as they relate to the wider scope, in our annual audit report.

## Exhibit 4 – Wider Scope Significant Risk

### 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.

In 2017/18, the 'Transformation and Cultural Change Programme' commenced. The programme has delivered changes to staffing structures alongside process improvements. The Board has recognised that the implementation of the Barclay review recommendations will have a significant impact on their future sustainability with full year costs associated with the implementation currently estimated at £0.4million. The proposed changes to non-domestic rates valuation cycle will have a significant impact on resources available creating both budgetary and staffing pressures. A Barclay roadmap has been developed to ensure all key milestones are achieved and progress is reported at each Board meeting.

A medium-term financial plan is currently being developed for the 5-year period to 2024/25. Initial assumptions used in the development of the plan were presented to the Board in February 2019 with full plan due to be presented in April 2019.

63. 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.



# 6. Audit outputs, timetables and fees

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## Audit outputs, timetable and fees

This section of our plan provides details of our audit outputs, timetable and proposed audit fees for the audit of the Board.

Audit output	Format	Description	Target month
External audit plan	Report	This report sets out the scope of our audit for 2018/19.	April 2019
Independent Auditor's Report	Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	September 2019
Annual Report to the Board and the Controller of Audit	Report	At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice.	September 2019

### Audit outputs

64. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
65. 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.

	2018/19	2017/18
Auditor remuneration	£6,280	£6,140
Pooled costs	£610	£550
Audit support costs	£390	£390
<b>Total expected fee</b>	<b>£7,280</b>	<b>£7,080</b>

### Audit fee

66. Audit Scotland sets an expected fee for each audit carried out under appointment that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. 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.
67. 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.
68. For 2018/19 we propose setting the audit fee at the expected fee level. The expected fee for the Board for the 2018/19 audit is as follows:
69. We will take account of the risk exposure of the Board and the management assurances in place. We assume receipt of the draft 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 other significant exercises not within our planned audit activity.



## Audit timetable

70. A summary timetable, including audit outputs, is set out as follows:

<b>MAR 19</b>	●	Planning meetings with senior officers
<b>APR 19</b>	●	Presentation of External Audit Plan to the Board
<b>JUL 19</b>	●	Accounts presented for audit and final audit visit begins
<b>SEPT 19</b>	●	Presentation of our Annual Report on the Audit to the Board



# 7. Appendices

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## Appendix 1: Your audit management team

Scott-Moncrieff is one of the largest independent accountancy firms in Scotland. We have 16 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 Semple 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 management team



#### Karen Jones

##### Director

[karen.jones@scott-moncrieff.com](mailto:karen.jones@scott-moncrieff.com)

Karen is one of our directors responsible for the audit of our Audit Scotland external audit appointments. She has considerable experience in planning and delivering audits, producing management reports and liaising with senior officers.

Karen will review the work done by the engagement team and will act as the Engagement Lead for signing the auditor's report.



#### Nick Bennett

##### Partner – Quality Control

[nick.bennett@scott-moncrieff.com](mailto:nick.bennett@scott-moncrieff.com)

Nick has been involved in UK public sector auditing for over 25 years. Nick has been an engagement partner on the firm's local authority external audit appointments during this time.

Nick is responsible for providing an objective evaluation of the significant judgements the engagement team has made and the conclusions it has reached in formulating the auditor's report.



## Appendix 2: 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, or its senior management that may reasonably be thought to bear on our objectivity and independence.





## Appendix 3: 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 financial statements. 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. The indicative financial statements strategy referred to above is a key means for us to clarify our expectations in terms of quality, quantity and extent of working papers and supporting documentation.

### 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 Karen Jones. 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.

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