

Notice of Meeting and Agenda

10.00am, Monday, 19th April, 2021

Virtual Meeting - via Microsoft Teams

1. Order of Business

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

2. Declaration of Interests

- 2.1 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. Minutes

- 3.1 Minute of the Lothian Valuation Joint Board of 1 February 2021 (reconvened on 15 February 2021) – submitted for approval as a correct record 5 - 8

4. Reports

- 4.1 Interim Assessor's Progress Report to the Lothian Valuation Joint Board – Report by the Interim Assessor and Electoral Registration Officer 9 - 26
- 4.2 2020/21 External Audit Annual Plan – Report by the Treasurer 27 - 64

Andrew Kerr

Chief Executive

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 Doran-Timson

East Lothian Council (2)

Councillor Jeremy Findlay

Councillor Jim Goodfellow

Notes:

- (1) If you have any questions about the agenda or meeting arrangements, please contact Rachel Gentleman | 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 4107 | email rachel.gentleman@edinburgh.gov.uk
- (2) The agenda, minutes and public reports for this meeting can be viewed online by going to www.edinburgh.gov.uk/meetings .



Please recycle this paper

This page is intentionally left blank

Lothian Valuation Joint Board

1 February 2021 (reconvened on 15 February 2021)

Meeting held virtually by Teams

Present:

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

East Lothian Council – Councillors Findlay and Goodfellow.

Midlothian Council – Councillors Russell and Smail (substituting for Councillor Munro).

West Lothian Council – Councillors Dodds (substituting for Councillor King), Doran-Timson and McGuire (Vice-Convener).

1 Adjournment

In terms of Standing Order 5.2, the meeting of Monday 1 February 2021 was adjourned in consultation with the Convener. The meeting was reconvened at 10.00am on Monday 15 February 2021.

2 Minute

Decision

To approve the minute of the Lothian Valuation Joint Board of 9 November 2020 as a correct record.

3 Interim Assessor's Progress Report to the Lothian Valuation Joint Board

A progress report by the Assessor and Electoral Registration Officer (ERO) was presented to the Board. It provided information on the overview of current service delivery, priorities, risks and future direction.

An update was also provided on the activities of the organisation during the Covid-19 pandemic. The majority of staff continued to work from home with a limited number attending the office to work on tasks which could not be done from home, including the upcoming Scottish Parliamentary Election in May 2021.

Decision

To note the report.

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

4 Report on Short Term Lettings/Self Catering Units

The City of Edinburgh Council approved a motion at its meeting on 28 July 2020, following the publication of a report by Andy Wightman MSP on commercial short term lets. The motion included a request for the Board to investigate the finding of the report that three-quarters of the properties identified were not registered for non-domestic rates.

The Interim Assessor and Electoral Registration Officer presented a report which addressed the issues raised for consideration by the Board.

Decision

To note the report.

(References – The City of Edinburgh Council, 28 July 2020, item 9; report by the Interim Assessor and Electoral Registration Officer, submitted)

5 Revenue Budget 2021/22 and Indicative Financial Plan 2022/23 - 2024/25

Information was provided on the revenue budget which had been developed for 2021/22 in line with the Board's Transformation Programme, including a recommendation to approve a 'flat-cash' council requisition for 2021/22. It was noted that a further requisition would be issued to meet the additional costs of Non-Domestic Rates Reform in 2021/22, in line with funding allocated in the Local Government Finance Settlement.

Details were also provided on the indicative financial planning estimates for 2022/23 to 2024/25. These would be subject to ongoing review and development as the Transformation Programme progressed.

Decision

- 1) To approve the proposed core budget for 2021/22 and the issue of 'flat-cash' core budget requisition requests from the Treasurer to constituent councils as detailed at paragraph 4.16 of the report.
- 2) To recommend that funding included in the Local Government Finance Settlement for implementing the recommendations of the Non-Domestic Rates Review be fully passed onto the Board. This may mean a supplementary requisition during 2021/22, dependent on the timing of confirmation of funding.
- 3) To note the indicative financial planning estimates for the period 2022/23 to 2024/25 included at Appendix 1 to the report.

Lothian Valuation Joint Board
1 February 2021 (reconvened on 15 February 2021)

- 4) To note the indicative financial planning estimates for 2022/23 to 2024/25 would be the subject of further updates to the Board during 2021/22 and beyond.

(Reference – report by the Treasurer, submitted)

6 Period 9 Financial Statement 2020/21

The Period 9 Financial Statement for the financial year 2020/21 was submitted.

The projected revenue budget outturn position was summarised to 31 March 2021, based on the position at 31 December 2020. The forecast was for net expenditure to be £141,000 less than budget.

Decision

- 1) To note the projected outturn position for 2020/21.
- 2) To note the final outturn would be reported to the Board, when the Annual Accounts were reported to the Board in June 2021.

(Reference – report by the Treasurer, submitted)

7 Annual Treasury Management Strategy

Approval was sought of the Annual Treasury Management Strategy for 2021/22. The Strategy was attached to the report at Appendix 1.

Decision

To approve the Annual Treasury Management Strategy attached at Appendix 1 to the report.

(Reference – report by the Treasurer, submitted)

8 Future Meeting Arrangements June 2021 to June 2022

The proposed meeting dates for the period from June 2021 to June 2022 were presented for approval.

Decision

- 1) To approve the schedule of meetings as detailed for the period June 2021 to June 2022, subject to revised dates in January and April 2022 to be confirmed.
- 2) To agree that meetings of the Joint Consultative Group would be held on an “on request” basis.

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

9 Review of Procedural Standing Orders

In terms of Standing Order 4.4, the Convener ruled that the following item, notice of which had been given at the start of the meeting, be considered as a matter of urgency to allow the Board to give early consideration to this matter.

A report was presented which set out proposed amendments to the Board's Procedural Standing Orders.

Decision

- 1) To repeal the existing Lothian Valuation Joint Board Procedural Standing Orders, as set out in Appendix 1, such repeal and approval to take effect from 16 February 2021.
- 2) To delegate authority to the Chief Executive and Clerk to take such actions and make such minor adjustments to the documents set out in Appendix 1 as may be necessary to implement the decision of the Board in relation to the report.

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

INTERIM ASSESSOR'S PROGRESS REPORT TO THE LOTHIAN VALUATION JOINT BOARD

19th April 2021

1.0 PURPOSE

- 1.1 To provide members with an overview of current service delivery, priorities, risks and future direction.
- 1.2 It should be noted that most staff remain working at home during current Covid restrictions. There are however a limited number of staff attending the office to deal with tasks that cannot be done from home, in particular preparatory work for the upcoming May Parliamentary Election.

2.0 ELECTORAL REGISTRATION – MAINTENANCE

- 2.1 Since the last progress report to the Board in February 2021 all maintenance tasks supporting the registration process have continued but workloads have increased due to the upcoming SPE.
- 2.2 Total number of postal votes for each constituent council as at 8th April are

	Edinburgh	Midlothian	West Lothian	East Lothian	Totals
Electorate	395,992	73,013	143,721	84,678	697,704
Postal Votes	102,138	18,251	31,553	23,259	175,201
% of Electorate	25.79%	24.99%	21.95%	27.46%	25.11%

- 2.3 This is an increase of some 55,000 postal votes since January this year.

3.0 ELECTORAL LEGISLATION – BY-ELECTIONS

- 3.1 The scheduled by-election in West Lothian ward 4 Livingston South took place on the 11th March as scheduled as did the by-election in ward 5 Midlothian on the 25th March. I am pleased to report that there were no issues with either election.

4.0 SCOTTISH PARLIAMENTARY ELECTION

4.1 The Scottish Government provided extra funding to allow ERO's to cover the additional costs arising from the anticipated increase in postal vote applications for the Scottish Parliamentary elections. I was allocated £487,812 of this funding.

4.2 To date this additional funding has been utilised in the following categories.

- Increased postage and printing
- Additional staff overtime
- The employment of 4 staff on a temporary basis
- Additional IT equipment
- Engagement, including a proportionate share TV advertising costs for a national campaign. An additional run of this campaign was agreed between all interested parties

4.3 The closing date for postal vote applications has now passed, 5pm on the 6th April. The closing date to register to vote is Monday the 19th April.

5.0 SPE STATISTICS

5.1 Applications to Register to Vote Received

Applications to register received:	42,598
Of which were unnecessary:	8,640 (20.28%)
Unnecessary applications requesting a postal vote:	5,321

Absent Vote Applications and Mail Stats

Postal vote applications issued:	27,452
Postal vote applications received:	54,335
Proxy vote applications issued:	168

Mail Issued by Post and E-mail

ITRs issued:	13,816
ITRs received:	2,163
Confirmation letters issued by post:	24,858 (further 5,008 by email)
Postal vote confirmation letters issued:	40,456 (13,206 e-mailed)

Changes to Register

1st February to 8th April

34,522 additions
16,322 deletions

Communication Stats

E-mails received: 14,524
Phone calls answered: 9,828

Engagement Stats

Student e-mails sent: 44,908
Prisoner e-mails sent: 12

Miscellaneous Stats

Foreign Nationals Registered (including those formerly registered as EU electors)

CEC = 3,871 (was 3,323 on 3rd Feb)

ELC = 170 (was 147)

MLC = 155 (was 117)

WLC = 258 (was 220)

Total = 4,454 (was 3,807)

6.0 VALUATION ROLL – MAINTENANCE

6.1 As this report comes at the end of the financial year, I have shown statistics for the period 1st April 2020 to 31st March 2021. I have also shown the figures for 19/20 for comparison purposes to see the potential impact of Covid 19.

1st April 2020 to 31st March 2021

	Edinburgh	Midlothian	W. Lothian	E. Lothian	Total
Inserts	602	51	199	110	962
Deletions	540	29	80	63	712
Amendments	482	40	82	78	682
Totals	1624	120	361	251	2356

1st April 2019 to 31st March 2020

	Edinburgh	Midlothian	W. Lothian	E. Lothian	Total
Inserts	730	69	174	195	1168
Deletions	649	127	126	59	961
Amendments	526	48	143	83	800
Totals	1905	244	443	337	2929

- 6.2 This represents 80.4% of pre-Covid levels looking at the same period in 2019/20. Taking account of Covid 19 this reduction in overall numbers is not unexpected and I'm pleasantly surprised that the reduction in numbers is as small as it is.
- 6.3 Although restrictions on external survey remain in place, staff continue to undertake necessary actions in most cases using plans and information provided in the form of photos, videos and any suitable and appropriate online resource.
- 6.4 Once lockdown measures are eased, for example the opening of non-essential retail, I intend to begin external inspections of property with suitable guidance given to staff. There will be no internal inspection of property at this time.

7.0 VALUATION ROLL – APPEALS

- 7.1 There are currently c. 750 outstanding 2017 Revaluation appeals. 150 of these have been cited for hearing in April. There are in total c.10,500 outstanding running roll appeals of which 9,704 relate to Covid. Central discussions between the SAA and agents are still ongoing.
- 7.2 We recently received a further 7,000 MCC appeals bringing the total of non-standard running roll appeals to c. 17,000. At the current time 10,000 of these have a disposal date of 31st December 2021 and 7,000 have a disposal date of between 1st January and 31st March 2022.
- 7.3 This is a very large number of appeals to dispose of in a relatively short time scale. To put this into perspective the c.13,000 revaluation appeals had a 3-year disposal timetable.
- 7.4 Valuation Appeal Committee hearing dates have been agreed with the secretary of the VAC for 2021. Physical hearings are not taking place at the current time which is delaying the resolution of a number of appeals. Currently hearings are taking place remotely. A very small number of appeals are being dealt with by written submissions.

8.0 COUNCIL TAX – MAINTENANCE

8.1 Over the period 1st April 2020 to 31st March 2021, 4,637 new houses have been added to the list, this compares to 6,011 for the same period in 2019/20.

New Housing	Edinburgh	Midlothian	West Lothian	East Lothian	Total
01/04/20 to 31/03/21	2,493	638	751	755	4,637
01/04/19 to 31/03/20	3,237	592	1,114	1,068	6,011

8.2 The figures for 20/21 are running at 77.1% of those of 19/20. No doubt in part to issues surrounding the Covid pandemic.

8.3 There is currently c.194 outstanding Council Tax appeals. These are being dealt with subject to the limitations imposed by the pandemic. The first case to be dealt with by written submission took place recently. The outcome is still awaited.

9.0 COVID – UPDATE

9.1 Staff continue to follow Government advice and are in the main still working from home. I do have staff attending the office daily to deal with the upcoming SPE. This is unavoidable as some tasks cannot be done from home.

9.2 The premises at South Gyle Crescent are being utilised as a polling station for the upcoming election. All appropriate safety measures will be in place for polling day.

10.0 GOVERNANCE STRATEGY GROUP

10.1 The second meeting of the Governance Strategy Group was held on the 30th March 2021. In attendance were myself, LVJB Head of Governance, Councillors Key, McGuire and Russell. A further discussion took place regarding the upcoming SP election and members were updated with progress to date. An update on phase 2 of the Transformation programme was also provided and discussed.

11.0 THE 2020/21 ANNUAL GOVERNANCE REPORT (ATTACHED AT APPENDIX 1)

11.1 This report provides members with overall assurance that the organisation is delivering services within an appropriate governance and internal control framework that has continued to operate throughout the COVID pandemic period.

Information is provided on the governance and internal control measures, and identified improvement plans, associated with the 7 principles of the CIPFA/SOLACE framework for Delivering Good Governance in Local Government.

Key Quality Assurance activities undertaken during the year, activity on strategic objectives, and primary corporate and service plan deliverables are also contained in the statement.

Whilst working from home, internal Quality Assurance and audit work has continued with all core activity service areas being assessed and reported on. This has included the necessary preparations for the forthcoming Scottish Parliamentary Election.

Audit work, both internally with the City of Edinburgh Council and externally with Azets has also been progressed.

Corporate, service and project risk registers have been maintained and reviewed by the LVJB Governance Committee, and a specific Covid risk assessment has been maintained.

The external LVJB Governance Group has been recently reviewed and a new Governance Strategy Group (GSG) has been formed. The GSG will provide a focal point for Board members to discuss LVJB organisational and operational objectives. It is anticipated that the activities of this group will enhance the appreciation and interpretation of the future strategic direction of LVJB.

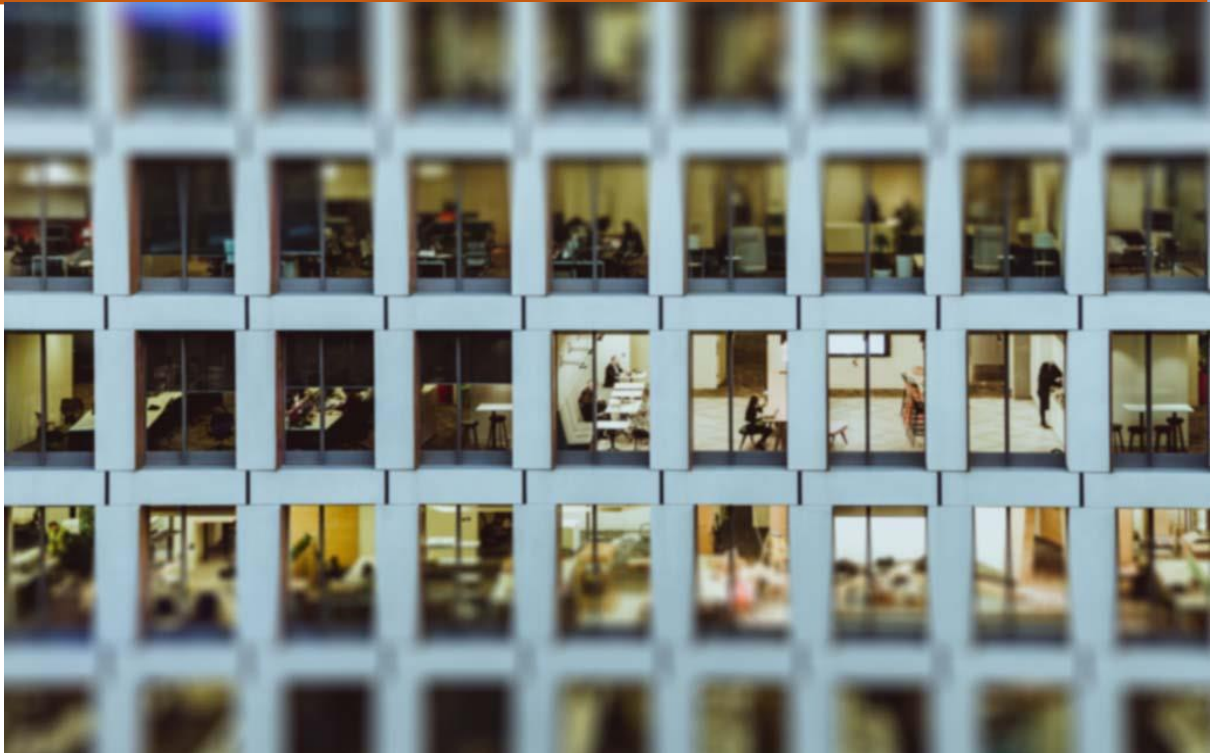
12.0 RECOMMENDATION

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

Gary Elliott
INTERIM ASSESSOR & ERO

Attached:
Appendix 1 The 2020/21 Annual Governance Report

Annual Governance Statement



Contents

1. Introduction	9
2. Impact of the COVID-19 pandemic	10
3. Governance Assurance Framework	11
4. The role of Quality Assurance	13
5. What have LVJB delivered?.....	14
6. Corporate and Service Plan	15
7. Corporate and Service plan – achievements	16
8. Corporate and Service plan – work in progress	17
9. Future work in 2021	18

1. Introduction

Lothian Valuation Joint Board (LVJB) takes responsibility for ensuring that it conducts its business in accordance with legislation and proper standards, and that public money is properly accounted for and used economically, efficiently and effectively. LVJB has a duty to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, LVJB establishes proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

LVJB acknowledges its responsibility for ensuring that there is effective governance within the organisation and as such has developed a Code of Corporate Governance that defines 3 main principles.

Accountability

- as a public body we are held accountable to citizens and stakeholders
- we implement good practice in reporting, quality assurance and auditing

Transparency

- processes, procedures and data are directly accessible to those who need them, and enough information is provided to understand and monitor them
- we engage with our stakeholders and help them understand the services we provide

Effectiveness & efficiency

- the organisation produces results that meet service delivery needs while making the best use of its resources
- we operate in a manner to secure an environment of continuous improvement

LVJB's Governance Group provides internal assurance and quality control over the primary functions and services of the organisation. This group also reports externally to members of the Joint Board. The responsibility for leading and directing the annual reviews of the effectiveness of LVJB's governance arrangements and providing ongoing oversight and robust challenge, is City of Edinburgh Council (CEC) Internal Audit and external auditors Azets.

2. Impact of the COVID-19 pandemic

The Coronavirus pandemic has presented organisations across the world with unprecedented difficulties over the last year and continues to do so. The unforeseen impact on established services and suppliers caused irreparable damage to many who simply will be unable to recover in a viable future state. Potentially, those that do recover may not operate in any previously recognisable form. The challenge faced by LVJB to provide, not only continued levels of high-quality service around its three core functions, but also to sustain the necessary governance and control mechanisms over those services was therefore a considerable undertaking.

LVJB migrated to the Microsoft O365 cloud-based software as a service model over the latter part of 2019. When the required reaction to the emerging pandemic in March 2020 became clear, LVJB could allocate staff to work from home where they would have remote access to essential systems and applications, enabling services to be maintained. An internal subset of the Corporate Leadership Group was created and met daily during this time. The group considered the implications of staff wellbeing, communication and risk, service delivery and performance, accommodation conditions and use, and kept continually appraised and informed of a constantly developing set of circumstances.

Managers were provided with procedures and guidance on how to assign, assess and measure tasks and performance. Financial resources were re-allocated to enable provision of suitable new mobile equipment and software for home use. This was supplemented by staff who were prepared to use their personal equipment for secure remote access to LVJB systems to allow processing of key tasks to continue. Through sustained investment LVJB anticipates that all staff will be supplied with corporate equipment for future use in any new home and office-based hybrid working landscape. It is recognised that this will generate additional strain on our operational budget, but the ICT investment to date has been essential to maintaining functional operability.

During this time the LVJBs Governance Committee, Project Management Framework, Quality Assurance procedures, internal first & second line checking and Corporate Leadership Team continually reviewed and assessed risk to provide ongoing assurance and support.

Our Corporate Team will reflect on this challenging year and plan ahead as it would appear that the traditional approach to office-based work has fundamentally changed. With this change, it is anticipated that new opportunities for improved efficiencies and smarter ways of working will emerge.

3. Governance Assurance Framework

Our governance framework comprises the culture, values, systems and processes by which the organisation is directed and controlled. It enables the LVJB to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services in an efficient manner.

Internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It assures that in conducting its business, LVJB reflects the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government.

Principle 1	Behave with integrity, has strong ethical values and respects the rule of law
Evidence	The Corporate Leadership Team (CLT) actively promote a culture of integrity and values. We have a code of conduct for Board members which complements our existing employee code. This, combined with other internal policies such as public interest disclosure, scheme of delegation, data protection, anti-bribery and disciplinary codes, which all fall under a regular review framework, ensures a clear understanding of the importance of exemplary behaviour and ethics in all areas of the Joint Board's work.
Improvement plan	<ol style="list-style-type: none"> 1) Implement an updated complaints handling procedure in accordance with the new SPSO framework and publish our 2021 equalities mainstreaming report 2) Ensure the policy review timetable is being adhered to
Principle 2	Ensure openness and comprehensive stakeholder engagement
Evidence	Continued efforts to provide transparency to stakeholders in the decisions we make and information we provide is being enhanced with the publication of additional assessors portal (www.saa.gov.uk) valuation data. New classifications of improved property valuation data will be uploaded to the website this year with a review being undertaken on existing information.
Improvement plan	<ol style="list-style-type: none"> 1) Continue to assess and develop new ways of engaging with stakeholders 2) Consider what additional information can be made available to ratepayers
Principle 3	Seek outcomes in terms of sustainable economic, social, and environmental benefits
Evidence	Continued implementation of the Business Strategy 2020/2023 which is aimed at meeting the financial position of the Board and challenges in terms of service delivery. This includes responding to fiscal constraints, delivering Non-Domestic Rates (NDR) Reform, continued modernisation, consideration of hybrid office/work anywhere approaches, process review and cultural change.
Improvement plan	<ol style="list-style-type: none"> 1) Continue to develop and monitor the implementation of the Business Strategy 2020/2023 2) Evaluate the benefits of alternative ways of working and incorporate them into our workforce planning practices
Principle 4	Determine interventions necessary to optimise the achievement of intended outcomes
Evidence	The current performance framework is a multi-faceted programme including training, personal development, challenging cultures, Wider Leadership Team (WLT), sessions etc. These operational elements require to be integrated into an all-encompassing structure to provide essential employee and core service support. LVJB operates under a flat cash budget with core costs approved for the 2021-2022 financial year.
Improvement plan	<ol style="list-style-type: none"> 1) Continue to assess the performance framework to ensure it is fully embedded in the organisation 2) Continued application of the LVJB Project Management Framework to examine viability and anticipated outcome probability

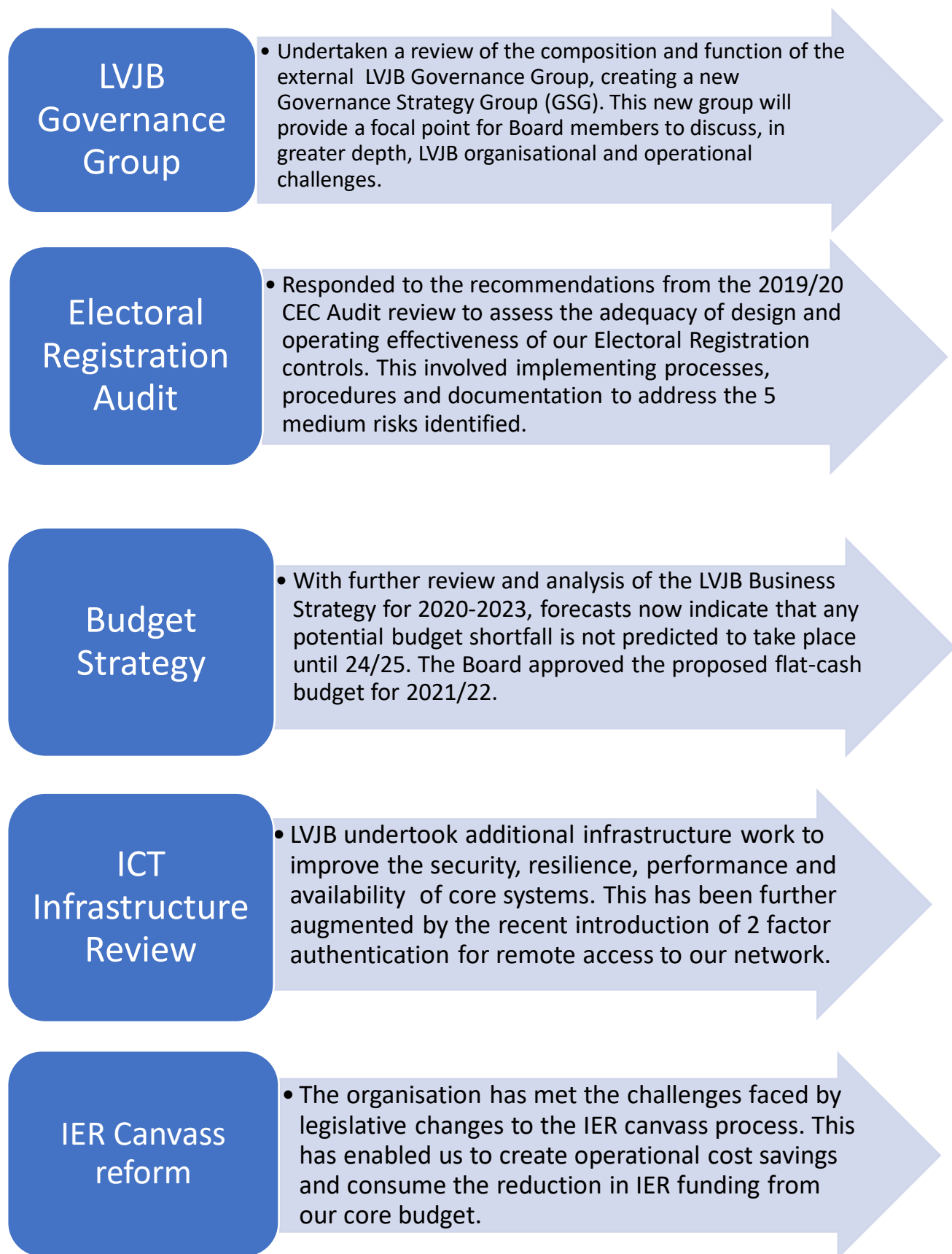
Principle 5	Develop capacity, including the capability of its leadership and the individuals within it
Evidence	The Business Strategy 2020/2023 is integral to not only meeting financial and service delivery challenges, it also provides a toolkit for aiding organisational transformation. LVJB continues to develop its training framework to provide staff with the essential skills and techniques required to delivery high quality services. The COVID pandemic has provided an opportunity to assess both the development of the WLT and realign the focus of the CLT.
Improvement plan	1) Continue to progress the role and purpose of the WLT and CLT within the organisation
Principle 6	Manage risk and performance through robust internal control and strong financial management
Evidence	Risk is a standing item on the bi-monthly LVJB Governance Committee agenda. Specific corporate risk, for example NDR and Electoral Registration Reform, are presented to the Joint Board and discussed at the recently formed Governance Strategy Group (GSG). The organisation is subject to annual internal and external audit review with the identification of any control weaknesses and provision of assurance recommendations. LVJB's internal Governance team are responsible for ensuring all information compliance and statutory obligations are met.
Improvement plan	1) In accordance with the Public Records (Scotland) Act consider a further progress update review in 2021 2) Assess the role of the CLT in risk oversight and reporting
Principle 7	Implement good practice in transparency, reporting, and audit to deliver effective accountability
Evidence	LVJB produce and publish a suite of reports on its external website. These include statements on annual corporate & service plans, financial regulations, records management, standing orders, annual corporate assurance statements, etc. Ongoing specific KPI and overall performance statistics and financial statements are presented to the Joint Board. A suite of audit and QA reports (see Section 3) is presented at Governance Committee meetings, delivering assurance over key service provision.
Improvement plan	1) Continue to review and enhance the Annual Governance Statement 2) Review the existing suite of QA reports to provide additional levels of assurance to the organisation

4. The role of Quality Assurance

We continue to maintain and promote the role of quality assurance within the organisation. Emphasis is placed on providing stakeholder confidence that the level of service provided meets expectation and offers additional protection against inaccuracies. The Governance Committee has overall scrutiny of all reported actions and recommendations. The current suite of QA activity checks is shown in the table below.

Function	Task	Description
Council Tax	Interface Audit	Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.
	Point of Sale Reports	Weekly check for the same period as the interface report. Confirm accuracy of sales date which is applied as the effective and liability date for any change in banding.
	Council Tax Assurance Checks	The Council Tax managers carry out a 10% check of all self-verified transactions. QA will carry out an assurance check on 10% of all self-verified and verified transactions as a second line check. Report on any anomalies or transactions incorrectly processed. The report is run on a weekly basis for the same period as the interface report but includes additional entries for Point of Sales where the original banding has been retained which are not interfaced.
Valuation Roll	Interface Audit	Audit Reports are produced for each interface period. Checked and emailed weekly to the four constituent councils.
	Business Rate Assurance Checks	The Principal Surveyors will carry out 100% checks on any business growth accelerator entries and a 10% check on self-verified transactions. QA will carry out follow up assurance check on these as a second line check. Report on any anomalies or transactions incorrectly processed.
	PTO Name Checks	Valuation Roll names updates processed by Technical & Support staff receive a 10% check by Governance.
Electoral Support/Processing Areas	EMS reports	Check system reports to ensure that electors are correctly processed, absent voting arrangements are applied correctly and ensure the accuracy of the register. A quality assurance check will take place on 10% of the reports produced for electoral activities.
Miscellaneous	KPI Stat Review	Produce monthly KPI stats for review by CLT & Technical Divisions
	Building Warrant/Planning Permission Checks	QA carry out a 10% check on a sample of building warrants and planning permissions each quarter. A full end to end check is carried out. All the filtered cases on sample Planning Permissions are checked to ensure that they are removed in accordance with procedure.
	Revaluation Appeal Stats Quarterly Return	Validate the quarterly return of RVAPP stats provided to Scottish Government.
	Sales data check	Accuracy checks carried out on all domestic and commercial sales data received monthly from Registers of Scotland where there is a matched entry on the Valuation Roll or Council Tax List.

5. What have LVJB delivered?



6. Corporate and Service Plans

Our Corporate and Service plans set out the key activities and outcomes that we will deliver within the financial year and the way in which we will measure our performance.

Our key Corporate and Service priorities for 2020/21 were;



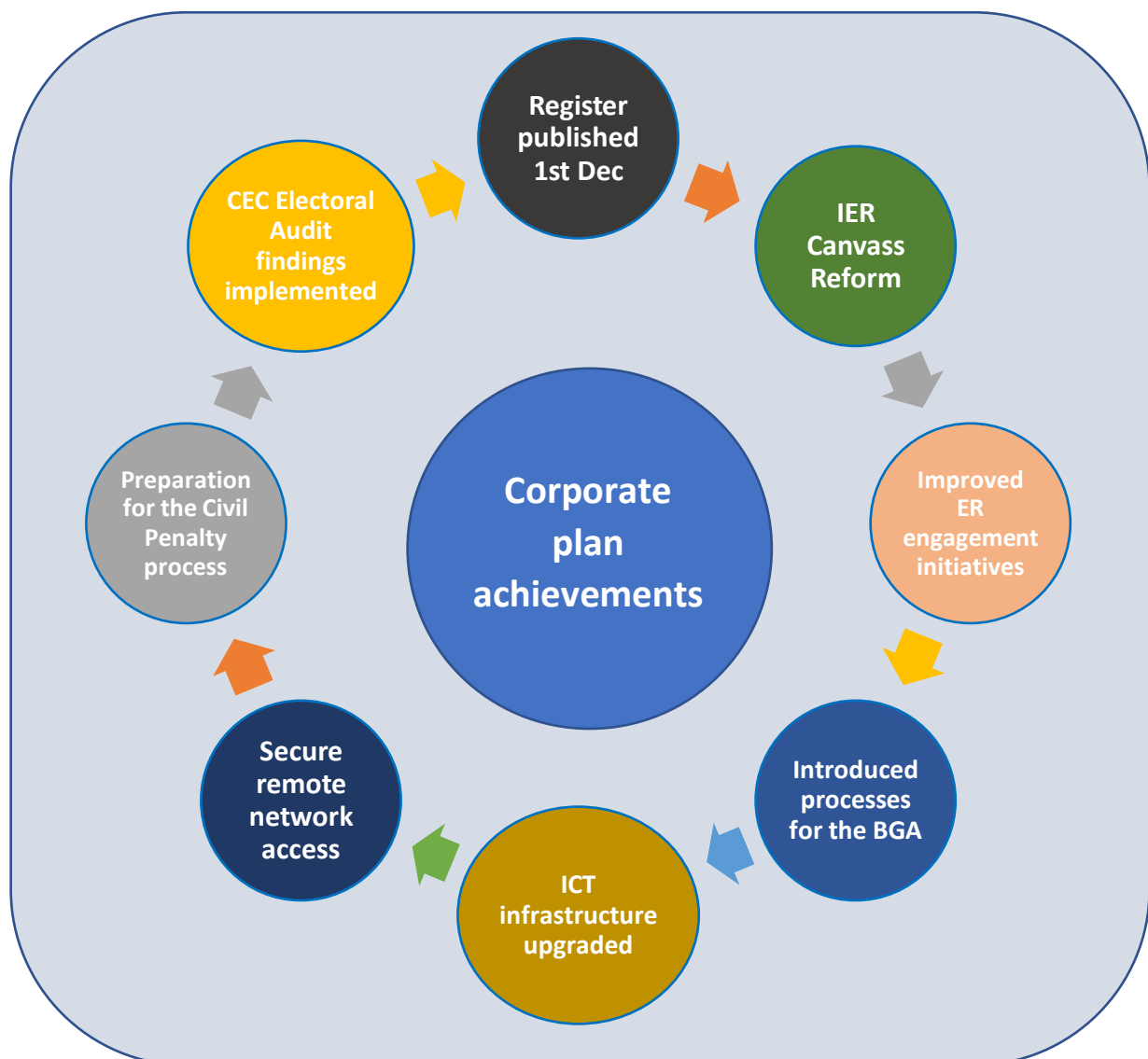
7. Corporate and Service plans – achievements

Our core valuation system was further developed to introduce additional functionality to handle the introduction of the Business Growth Accelerator (BGA). The BGA provides a boost to business growth as it introduces a 12 month delay before non-domestic rates apply to a new building once occupied, or in the case of an improved building, 12 months relief on any additional non-domestic rates levied on any increase in value attributable to the improvements.

IER Canvass reform introduced a number of changes to the 2020 annual household canvass. This required a number of administrative changes, enabled the use of local data matching and targeted issue. The primary aspects were;

- to make the process simpler and clearer for citizens
- to reduce the administrative burden on EROs
- to provide the capacity for innovation and improvement
- a model that is adaptable to future change

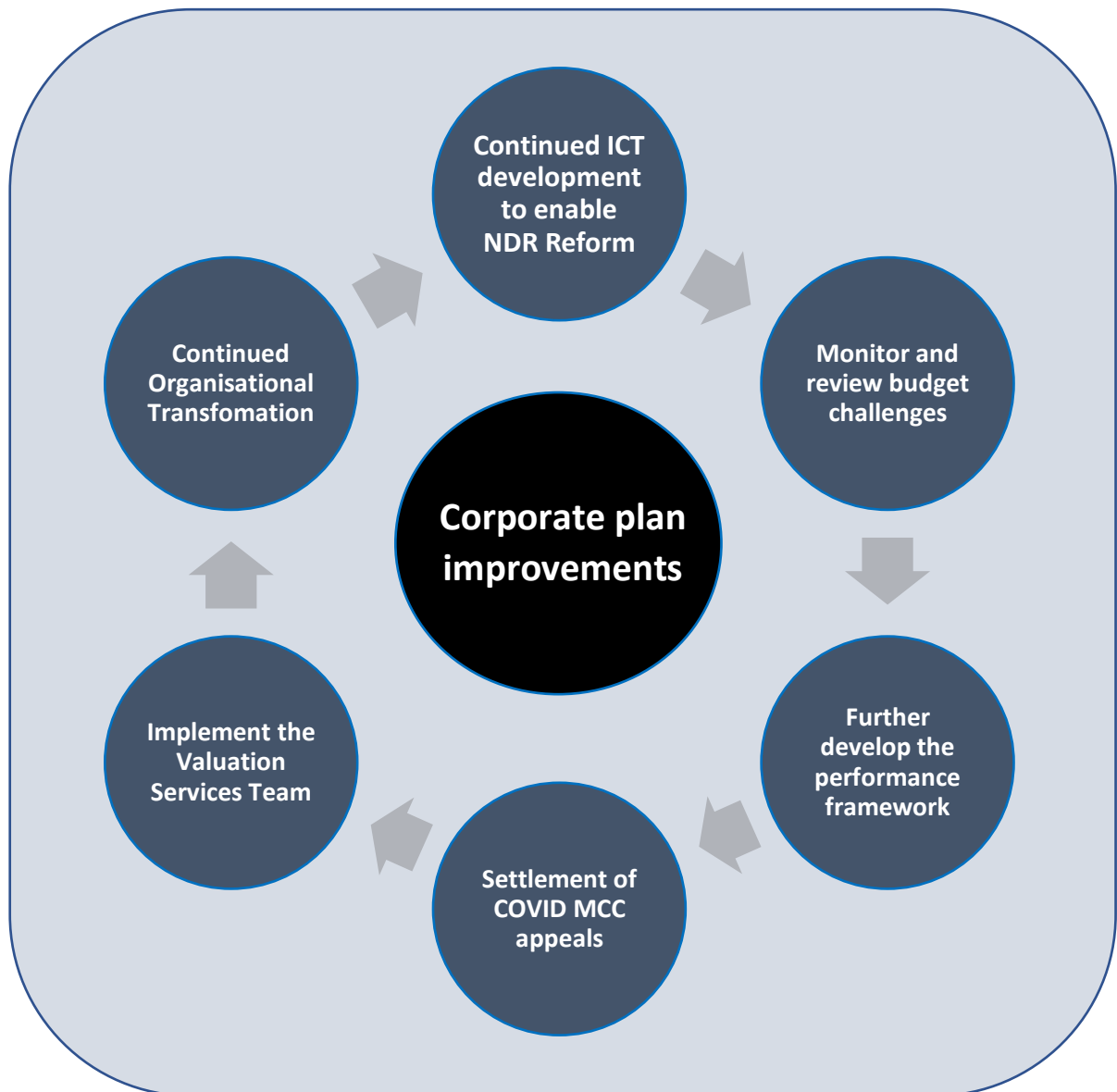
Due to the impact of the COVID pandemic and the requirement to work from home, we undertook an upgrade of our core server infrastructure and introduced a secure platform for access to our network and system applications for LVJB staff.



8. Corporate and Service plans – work in progress

LVJB recognises the importance of continually seeking to deliver improvements in organisational efficiency and performance. We acknowledge that the organisation must continue to challenge traditional ways of working and reflect on how well we function both internally and when engaging with stakeholders. challenges

Below are ongoing activities aimed at supporting this process of improvement.



9. Future work in 2021

Governance Strategy Group

- Continue to review and evaluate the effectiveness of the Governance Strategy Group (GSG) and develop its role as a focal point for the discussion of LVJB operational objectives.

Enhanced Performance Framework

- Develop a performance framework that is underpinned by clear organisational goals and objectives and supports our staff in providing our key services

Council Tax Audit

- CEC internal audit are currently undertaking a review to assess the adequacy of design and operating effectiveness of our Council Tax controls. We will consider and react to recommendations in the outcome report.

Working from home/hybrid working

- As the eventual easing of lockdown continues to progress, evaluate WFH performance and consider the most effective ways of balancing office and home based working to achieve optimum service delivery

Budget challenges

- Continue to closely monitor our financial challenges and implement cost effective initiatives wherever possible to provide a stable fiscal outlook



10.00am, Monday 19th April 2021

2020/21 External Audit Annual Plan

1. Recommendations

1.1 The Board is recommended to note the External Audit Annual Plan 2020/21.

Hugh Dunn,

Treasurer

Contact: Iain Shaw, Principal Accountant,

Finance Division, Resources Directorate, City of Edinburgh Council

E-mail: iain.shaw@edinburgh.gov.uk | Tel: 0131 469 3117

2020/21 External Audit Annual Plan

2. Executive Summary

- 2.1 The External Audit Annual Plan 2020/21 summarises the work plan for the external audit of Lothian Valuation Joint Board.

3. Background

- 3.1 Azets – previously known as Scott-Moncrieff - is the Board's appointed external auditor for the six-year term from 2016/17 to 2021/22, inclusive. The External Audit Annual Plan for 2020/21 outlines the proposed main areas of scrutiny and timescales for 2020/21 audit.

4. Main Report

External Audit Plan 2020/21

- 4.1 The External Audit Plan 2020/21 requires to be noted by those charged with governance, prior to its submission to Audit Scotland. The Plan is appended at Appendix 1. The Plan includes:
- 4.1.1 the responsibilities of Azets as the external auditor;
 - 4.1.2 Azets audit strategy;
 - 4.1.3 the planned audit work and how Azets will approach it;
 - 4.1.4 the proposed audit outputs and timetable; and
 - 4.1.5 background to Azets and the audit management team.

5. Background reading/external references

None

6. Appendices

- 6.1 Appendix 1 – External Audit Annual Plan to members of Lothian Valuation Joint Board



Lothian Valuation Joint Board

External Audit Annual Plan 2020/21

April 2021



Table of Contents

Introduction	3
Respective responsibilities of the auditor and the Board	6
Audit strategy	12
Annual accounts	16
Wider scope audit	23
Audit outputs, timetables and fees	26
Appendices	30

Introduction



Introduction

1. This document summarises the work plan for our 2020/21 external audit of the Lothian Valuation Joint Board (“the Board”).
2. The core elements of our work include audits of:
 - the 2020/21 annual accounts and related matters;
 - the Board’s arrangements for, where applicable, financial sustainability, financial management, governance and transparency 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 Azets as external auditor of the Board for the six year period

2016/17 to 2021/22¹. This document summarises the audit plan for 2020/21 and includes;

- the responsibilities of Azets 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 Azets and the audit management team.

Auditor independence

6. International Standards on Auditing in the UK require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We comply with the Financial Reporting Council’s (FRC) Ethical Standard. In our professional judgement, the audit process is independent and our objectivity is not compromised in any way.
8. We set out in Appendix 2 our assessment and confirmation of independence.

Adding value through the audit

9. All of our clients 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

¹ In October 2020, the Accounts Commission extended our audit appointment for one year through to the audit of the 2021/22 financial year to provide

continuity and stability in the current challenging environment.

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

10. 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 any member of your audit team.

Openness and transparency

11. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Respective responsibilities of the auditor and the Board

A solid green horizontal bar spanning the width of the page, positioned below the main title.

Respective responsibilities of the auditor and the Board

Auditor responsibilities

Code of Audit Practice

12. The Code of Audit Practice 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

13. Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:
- undertake statutory duties, and comply with professional engagement and ethical standards;
 - provide an opinion on financial statements;
 - review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
 - notify the Controller of Audit when circumstances indicate that a statutory report may be required; and
 - demonstrate compliance with the wider scope of public audit

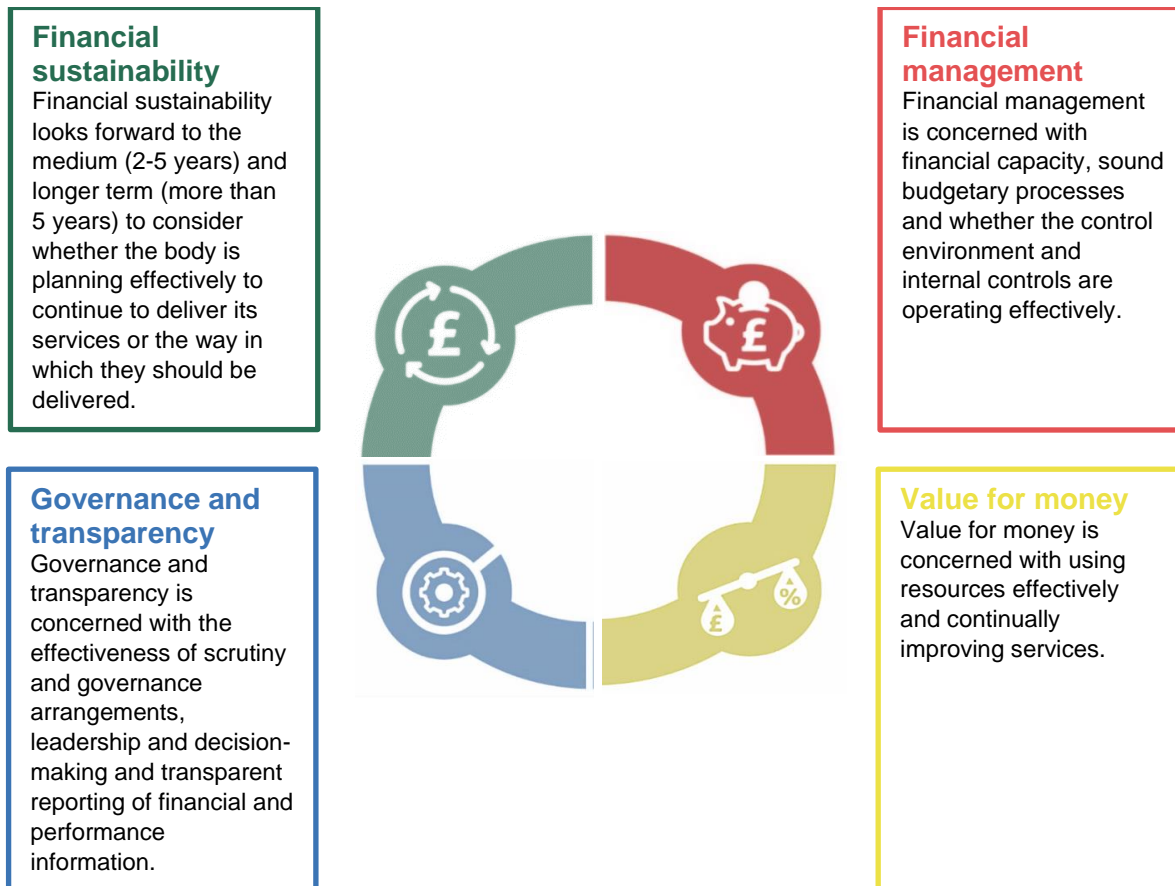
Wider scope audit work

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 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.

Exhibit 1: Audit dimensions within the Code of Audit Practice



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 organisation. Taking these factors into consideration, we have concluded
18. 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.
- that application of the restricted wider scope is appropriate at the Board.

Best Value

- 19. Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.
- 20. 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 as set out in this plan.

Board responsibilities

- 21. 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 it to successfully deliver its objectives. The Board’s responsibilities are summarised in Exhibit 2.

Exhibit 2: Board responsibilities

Area	Board responsibilities
<p>Financial statements: Annual accounts containing financial statements and other related reports should be prepared.</p>	<p>The Board has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of its financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures; • maintaining proper accounting records; and • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements.

Area	Board responsibilities
<p>Financial sustainability: 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"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with any statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Financial management: Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>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, for communicating 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 its objectives and safeguard and secure value for money from the public funds at its disposal.</p> <p>The Board is responsible for establishing 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.</p>

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

Audit strategy

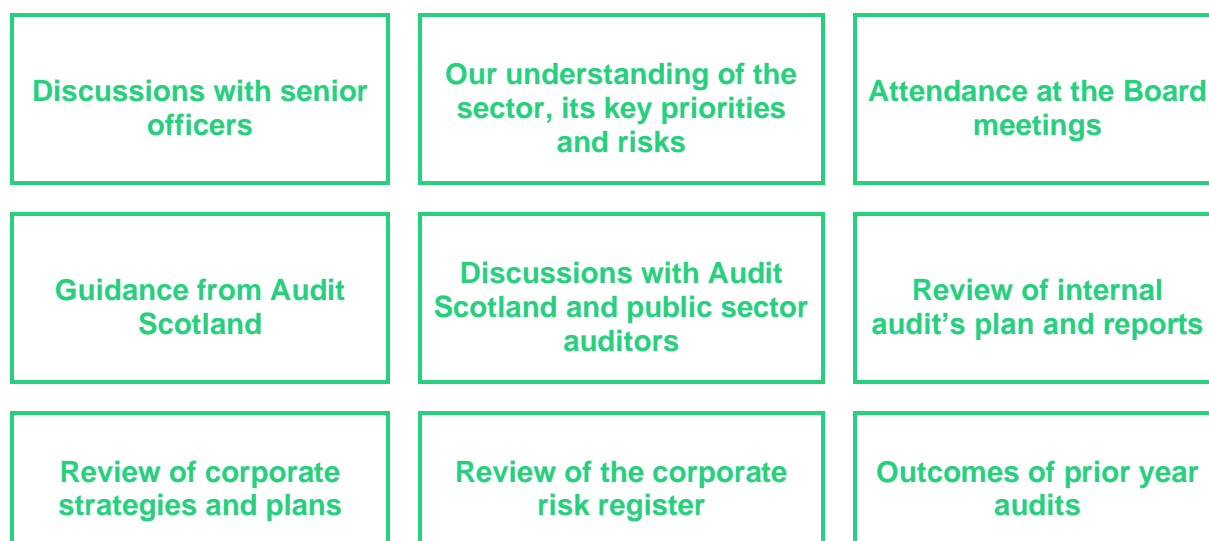
A solid green horizontal bar spanning the width of the page, positioned below the 'Audit strategy' heading.

Audit strategy

Risk-based audit approach

22. 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:



23. 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.

Communication with those charged with governance

24. 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

25. 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

26. We 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 with the public sector.

with the Council to understand the controls in place.

Audit Scotland

27. Although we are independent of Audit Scotland and are responsible for forming our own views and opinion, we do work closely with Audit Scotland throughout the audit. This helps, for example, to identify common priorities and risks, treat consistently any issues arising that impact on a number of audited bodies, and further develop an efficient and effective approach to public audit. We 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.
28. Audit Scotland undertakes national performance audits on issues affecting the public sector. We review the Board's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which the Board uses the national performance reports as a means to help improve performance at the local level.

Internal Audit

29. 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 organisations

30. The Board uses the City of Edinburgh Council ("the Council") to provide financial ledger services. We will work

COVID-19 – impact on our 2020/21 audit strategy

31. The COVID-19 pandemic has had, and continues to have, a significant and profound effect on every aspect of Scottish society.
32. We appreciate that different organisations have been impacted differently by COVID-19, as have finance teams, and some organisations are better set up for remote working. We also know that plans can change quickly and it only takes the absence of one key member of staff from a finance team to have a big impact. Equally our own teams may also be impacted by the pandemic. The wellbeing of our clients and our staff is paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance.

Remote working

33. At the time of writing, we are planning to carry out our 2020/21 audit remotely. As in 2019/20 we have the following arrangements in place:
 - All of our people have the equipment, technology and systems to allow them to work remotely, including secure access to all necessary data and information.
 - All of our staff are fully contactable by email, phone call and video-conferencing.
 - All meetings are now held over Skype, Microsoft Teams or by telephone.

- We are keeping all of our staff fully up to date with the latest government guidance in order to keep everyone as safe as possible.

34. If resourcing levels in any part of our business are compromised due to illness or inability to work, we will refocus our teams as necessary to deliver to deadlines. Our teams are holding regular catch ups to allow us to re-prioritise workloads as necessary.

Secure sharing of information

35. We use a cloud-based file sharing service that enables users to easily and securely exchange documents.

Audit evidence

36. Working remotely, does unfortunately result in the audit team requesting audit evidence which we would have previously obtained through other means, for example, face to face meetings or access to systems and client premises.
37. Where required we will consider other ways in which we can obtain audit evidence or carry out alternative audit procedures.
38. We will employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

Regular contact

39. During the 'fieldwork' phase of our audit, we will look to agree regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

Audit reporting

40. It may be likely that the current circumstances lead to more modified opinions in auditor's reports, than would typically have been the case in previous years.
41. Where necessary, we will engage with the Board to explain the implications of our proposed report and consider whether there are other procedures that could be undertaken, at a future point yet to be determined which could mitigate any modification either fully or in part.
42. Sufficient time should be set aside by the Board to allow for comprehensive, complete and informed communication with the auditor. This will need to take account of the potential for extended communication to explain any modified audit reports, or to report any higher than expected deficiencies or misstatements, that may result from the current circumstances.
43. Audit Scotland uses a system for electronic signatures (DocuSign) that it recommends all bodies use for signing annual accounts.
44. Electronic signatures simplify the process of signing the accounts. Accounts can be signed using any device from any location. There is no longer a need for duplicate copies to be signed, thus reducing the risk of missing a signature and all signatories have immediate access to a high quality PDF version of the accounts.
45. We propose using DocuSign in 2020/21 (as was used in 2019/20).

Annual accounts



Annual accounts

Introduction

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

Approach to audit of the annual accounts

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

Risk-based audit planning

48. 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.

Accounting systems and internal controls

49. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.

50. 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 policies and procedures.

51. We will take cognisance of any relevant internal audit reviews of systems and controls.

52. Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal controls change. Potential areas of risk include:

- Public sector staff working under extreme pressure leading to some internal controls being suspended or relaxed;
- Procurement fraud or, normal controls being relaxed to allow bodies to buy goods or services which are required urgently, possibly from new suppliers;
- Weakened governance arrangements;
- Admin and finance staff being redeployed to operational areas; and
- Staff working remotely may pose potential security risks e.g. when using personal devices and/or using removable devices to download data.

53. We will update the risk assessment following our evaluation of systems and controls, considering the impact the pandemic has had on the Board's accounting systems and controls. This will ensure that we continue to focus attention on the areas of highest risk.

54. This work is not for the purpose of expressing an opinion on the effectiveness of internal controls. We will report to the Board, significant deficiencies in internal controls that we identify during the audit. These matters will be limited to those which we conclude are of sufficient

importance to merit being reported to the Board. The scope of our work is not designed to be an extensive review of all internal controls.

Prevention and detection of fraud or error

55. We plan our audit in such a way as to obtain reasonable assurance of detecting material misstatements in the annual accounts resulting from fraud or error.
56. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts.
57. We will assess the susceptibility of the Board's annual accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:
- making enquiries of management as to where they considered there is susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
 - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.
58. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose. Material misstatements that arise due to fraud can be harder to detect than those

that arise from error as they may involve deliberate concealment or collusion.

Laws and regulations

59. We plan and perform our audit recognising that non-compliance with statute or regulations may materially impact the annual accounts. Our audit procedures include the following:
- Identification of the laws and regulations applicable to the Board through enquiries with management, and from our knowledge and experience of the Board and the sector;
 - A focus on specific laws and regulations which we consider may have a direct material effect on the annual accounts or the operations of the Board;
 - Reviewing minutes of relevant meetings;
 - Enquiring of management and the Board's legal representatives the position in relation to litigation, claims and assessments; and
 - Performing detailed testing of transactions and balances.
60. There are however inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance.

A final audit of the annual accounts

61. 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.

62. 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 2020/21 (the Code).

Independent auditor’s report

63. Our opinion on whether the financial statements give a true and fair view of the financial position and the income and expenditure will be set out in our independent auditor’s report which will be included in the annual accounts.
64. We also provide an opinion on the audited part of the remuneration report, annual governance statement and management commentary.

Materiality

65. Materiality is an expression of the relative significance of a matter in the context of the financial statements 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 review our assessment of materiality throughout our audit.
66. Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or group 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.

67. Performance materiality set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
68. Our initial assessment of materiality and performance materiality is set out in the table below:

	Materiality £
Overall materiality: Our initial assessment is based on approximately 1.5% of the Board’s 2019/20 gross expenditure. We consider this to the principal consideration for the users of the annual accounts when assessing the performance of the Board.	100,000
Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	75,000

69. We will report any misstatements identified through our audit that fall into one of the following categories:
- All material corrected misstatements;
 - Uncorrected misstatement with a value in excess of 5% of the overall materiality figure; and

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

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.

Key audit risks in the annual accounts

70. Auditing standards require that we inform the Board of our assessment of

Exhibit 3 – Key audit risks in the annual accounts

Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. 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*.

71. In response to this risk we will review the Board’s accounting records and obtain evidence to ensure that any significant transactions outside the normal course of business are valid and accounted for correctly. We will adopt data analytics techniques to review and test aspects of this significant risk. We will assess whether judgements and assumptions made in determining accounting estimates as set out in the annual accounts are indicative of potential bias.

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 income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

72. 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.

Risk of fraud in the recognition of expenditure

As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

73. In response to this risk we will evaluate the significant non-pay expenditure streams and review the controls in place over accounting for expenditure. (Payroll is subject to separate tailored testing). We will consider the Board's key areas of expenditure and obtain evidence that the expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. We will review accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

Pension assumptions (significant accounting estimate)

An actuarial estimate of the pension fund asset/liability 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 date 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. There is a risk that the assumptions used are not appropriate.

74. 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.

Other risk factors

Impact of COVID-19 on the annual accounts

75. Further to the identification of significant audit risks, we also continue to monitor the impact COVID-19 could have on the annual accounts. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. It is uncertain how long these challenges will persist.
76. We continue to monitor government and relevant announcements as they pertain to the audit and will adapt our audit approach as required.

accounting periods beginning on or after 15 December 2019 places increased regulatory requirements on the auditor in respect of the auditing of significant estimates at the planning and completion stages of the audit.

78. As part of the planning stages of the audit we identify all accounting estimates made by management and determine which of those are significant to the overall annual accounts. Consideration was given to pension assumptions, provisions, depreciation and accruals. Other than pension assumptions we have not determined the accounting estimates to be significant. We will however revisit our assessment during the fieldwork and completion stages of our audit.

Accounting estimates

77. Changes to ISA (UK) 540 - *Auditing Accounting Estimates and Related Disclosures* which is applicable for

Wider scope audit



Wider scope audit

Introduction

79. As described in section 2, the Code of Audit Practice frames a significant part of our wider scope responsibilities. 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 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.
80. Our planned audit work is risk based and proportionate. Our initial assessment builds upon the understanding of the Board's key priorities and risks which we developed from previous years, along with discussions with management and review of Board minutes and key strategy documents.
81. The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. The pandemic has highlighted the importance of many long-standing issues facing public sector bodies such as the need for good governance, openness and transparency, and effective longer-term planning to deliver better outcomes. The risks and challenges associated with these issues have become greater due to the pandemic.
82. In 2020/21, Audit Scotland has requested that external auditors focus on risks relating to governance and transparency, financial sustainability and counter-fraud arrangements in light of the impact of COVID-19. We will consider these risk areas in the context of our wider scope audit work and include commentary in our annual audit report as appropriate.
83. 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 however is a continuous process and we will report all identified significant risks in our annual audit report.


Exhibit 4 – Wider scope significant risk

Financial sustainability

In February 2021 the Board approved its revenue budget for 2021/22 and indicative budget estimates for the subsequent three years (to 2024/25). A balanced budget has been set for the first three years with an indicative funding shortfall of £0.439million in 2024/25. This is a significantly improved position from the revenue budget approved in the prior year (February 2020) which identified a shortfall of £0.169million in 2021/22 and £1.036million in 2022/23.

The improved position is primarily a result of rephrasing the implementation of the Board's Transformation Programme. As part of the programme, potential employee severance releases were identified in line with the Board's Voluntary Early Release Arrangement Policy and five business cases were approved in 2020/21. The COVID-19 pandemic however is presenting increased uncertainty and unprecedented challenges to operation of public sector bodies. Hence the Board agreed it would be prudent to postpone the consideration of any further employee severance releases for at least 12 months, which is reflected in the 2021/22 budget and indicative budget estimates for the subsequent three years.

Whilst the Board's financial plans present a balanced budget until 2024/25, the timely implementation of the Board's Transformation Programme is still key in supporting the Board to deliver services in a financially sustainable manner.

- 
- A green arrow pointing from the left margin towards the list item.
84. We will continue to review the Board's arrangements for managing its financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the medium and longer term impact of COVID-19 and that continue to support the delivery of the Board's statutory functions and strategic objectives.

Audit outputs, timetables and fees



Audit outputs, timetable and fee

Audit outputs

The Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021 amend dates set in the Local Authority Accounts (Scotland) Regulations 2014. The amended dates apply to the accounts for the financial year 2020/21 and state that the annual accounts should be approved by 31 October 2021 and published by 15 November 2021.

However, the provisions of the Coronavirus (Scotland) Act 2000 (which permitted bodies to delay publication of the 2019/20 accounts until reasonably practicable) have been extended. 'Reasonably practicable' was considered to be 30 November and Audit Scotland considers that date to also be appropriate for 2020/21. The extension of the Act also allows flexibility over the date (usually 30 June) for the unaudited accounts. As such the submission deadline set by Audit Scotland is 30 November 2021.

We have set out below target months which align to the schedule of Board meetings. We will aim to meet these scheduled meetings however this will be monitored during the audit process and may require to be revised to reflect emerging issues as a result of the pandemic.

Audit output	Description	Target month	Deadline for submission to Audit Scotland
External audit plan	This report sets out the scope of our audit for 2020/21.	April 2021	30 April 2021
Independent Auditor's Report	This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.	October 2021	30 November 2021
Annual Report to the Board and the Controller of Audit	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.	October 2021	30 November 2021

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

Audit fee






87. Audit Scotland sets an expected fee 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.
88. As auditors we negotiate a fee with the Board during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.
89. For 2020/21 we proposed setting the audit fee at the expected fee level.

	2020/21	2019/20
Auditor remuneration	£6,620	£6,430
Pooled costs	£630	£630
Contribution to Audit Scotland costs	£360	£390
Total fee	£7,610	£7,450

90. 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 account 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

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

FEB 21		Planning meeting to inform the 2020/21 audit
APR 21		Presentation of External Audit Plan to the Board
JUN 21		Unaudited annual accounts presented to those charged with governance
JUL 21		Final audit commences
OCT 21		Presentation of our Annual Audit Report to the Board

Appendices



Appendix 1: Azets

On 7 September 2020, the CogitalGroup of companies (Scott-Moncrieff, Campbell Dallas, Baldwins and Wilkins Kennedy) came together as Azets. Whilst it is a new name, we still deliver the same personal approach to accounting, tax, audit, advisory and business services, digitally and locally.

With over 6,500 advisers and specialists across our office network, we help people and organisations of all shapes and sizes save time, work smarter and achieve their goals. Our job is to give you the support you need so you can focus on what you do best.

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.

Your audit management team



Karen Jones

Director

karen.jones@azets.co.uk

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



Nicola MacKenzie

Manager

nicola.mackenzie@azets.co.uk

Nicola has over 6 years' public sector external audit experience, working with a range of bodies across local government, central government, health and further education sector.

Nicola will manage the onsite team and work alongside Karen to deliver the audit engagement.

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.

In particular, FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Azets has not been appointed by the Board to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standard. 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 Azets, the Board, its Board members and 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 Azets.

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 Board 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. We will issue a financial statements strategy in advance of our final audit visit which sets out our expectations in terms of audit deliverables. This document helps to ensure we can work together effectively to deliver an efficient and effective audit.

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.

Representations

As auditors we do not act as a substitute for the Board's responsibility to establish proper

arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

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

Internal audit

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

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

Fraud and irregularity

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular we require to be notified of all frauds which:

- Involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control
- Are over £5,000

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.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 impose an obligation on the Auditor General to inform the National Crime Agency (NCA) if he knows or suspects that any person has engaged in money laundering or terrorist financing. Audit Scotland has extended this responsibility to the Accounts Commission in respect of local government.

We require the Board to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Ethics

We are bound by the ethical guidelines of our professional body, the Institute of Chartered Accountants in England and Wales.

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 in England and Wales.

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.

© Azets 2021. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.
Accounting | Tax | Audit | Advisory | Technology

This page is intentionally left blank