

Notice of Meeting and Agenda

10.00am, Monday 4th April 2022

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 7 February 2022 – 5 - 8
submitted for approval as a correct record

4. Reports

- 4.1 Assessor's Progress Report to the Lothian Valuation Joint Board 9 - 28
– Report by the Assessor and Electoral Registration Officer
- 4.2 2021/22 External Audit Annual Plan – Report by the Treasurer 29 - 66
- 4.3 Future Meeting Arrangements August 2022 to June 2023 – 67 - 68
Report by the Chief Executive and Clerk

Andrew Kerr

Chief Executive

Membership

The City of Edinburgh Council (9)

Councillor Chas Booth

Councillor Phil Doggart

Councillor Karen Doran

Councillor George Gordon

Councillor Gillian Gloyer

Councillor Ricky Henderson

Councillor David Key (Convener)

Councillor Jason Rust

Councillor Norman Work

Midlothian Council (2)

Councillor Kieran Munro

Councillor Margot Russell

West Lothian Council (3)

Councillor David Dodds

Councillor Damian Doran-Timson

Councillor Andrew McGuire (Vice-Convener)

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 | Legal and Assurance | 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 .

Lothian Valuation Joint Board

7 February 2022

Meeting held virtually by Teams

Present:

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

East Lothian Council – Councillor Findlay.

Midlothian Council – Councillor Munro.

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

1 Minute

Decision

To approve the minute of the Lothian Valuation Joint Board of 27 October 2021 as a correct record.

2 Assessor's Progress Report to the Lothian Valuation Joint Board

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

It was highlighted that the majority of staff remained working at home, however a staff had been allowed to return to the office since 1 February on a limited basis with a rota system and mitigations in place.

Decision

To note the report.

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

3 Council Tax Valuation Process Internal Audit Review

An internal audit report was presented which assessed the adequacy of design and operating effectiveness of controls established by LVJB relating to the Council Tax Valuation process. The report concluded an overall amber rating.

Decision

To note the report.

(Reference – report by the Head of Governance, submitted)

4 Revenue Budget 2022/23 and Indicative Financial Plan 2023/24 - 2026/27

Information was provided on the revenue budget which had been developed for 2022/23, including a recommendation to approve a 'flat-cash' council requisition for 2022/23 and requisition to meet additional costs for Non-Domestic Rates Reform in 2022/23 in line with funding of £0.374m allocated in the Local Government Finance Settlement.

Details were also provided on the indicative financial planning estimates for 2023/24 to 2026/27. These would be subject to ongoing review and development as the Transformation Programme progressed.

Decision

- 1) To approve the proposed core budget for 2022/23 and the issue of 'flat-cash' core budget requisition requests from the Treasurer to constituent councils as detailed at paragraph 4.19 of the report.
- 2) To approve requisition of funding of £0.374m included in the Local Government Finance Settlement to implement the recommendations of the Non-Domestic Rates Review.
- 3) To note the indicative financial planning estimates for the period 2023/24 to 2026/27 included at Appendix 1 to the report.
- 4) To note the indicative financial planning estimates for 2023/24 to 2026/27 would be the subject of further updates to the Board during 2022/23 and beyond.

(Reference – report by the Treasurer, submitted)

5 Period 8 Financial Statement 2021/22

The Period 8 Financial Statement for the financial year 2021/22 was submitted. Net expenditure was forecast to be £175,000 less than the approved revenue budget of the Board, based on the position at 30 November 2021.

Decision

- 1) To note the projected outturn position for 2021/22.
- 2) To note the final outturn would be reported to the Board, when the Annual Accounts were reported to the Board during 2022.

(Reference – report by the Treasurer, submitted)

6 Annual Treasury Management Strategy

Approval was sought of the Annual Treasury Management Strategy for 2022/23. 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)

7 Membership Update

A report provided an update on the membership of the Board.

Decision

To note the City of Edinburgh Council had appointed Councillor Booth as a member of the Joint Board.

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

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ASSESSOR'S PROGRESS REPORT TO THE Lothian VALUATION JOINT BOARD

4th April 2022

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 at the current time however staff are attending the office to deal with tasks that cannot be done from home, in particular preparatory work for the upcoming May Local Government Election. In addition, technical staff are attending the office on a strict rota basis where required.

2.0 ELECTORAL REGISTRATION – MAINTENANCE

- 2.1 Since the last progress report to the Board in February 2022 all maintenance tasks supporting the registration process have continued.
- 2.2 The table below shows the changes in registration numbers for the 2 most recent updates to the register and the forecast figures for the 30th of March update. It should be noted that the figures for March are subject to change.

	Additions	Deletions	Modifications
<i>City of Edinburgh</i>			
01-Feb-22	1,609	1,239	40
01-Mar-22	3,419	3,592	84
30-Mar-22	4,967	2,641	122
<i>East Lothian</i>			
01-Feb-22	209	171	5
01-Mar-22	520	388	14
30-Mar-22	969	456	15

Midlothian			
01-Feb-22	222	168	5
01-Mar-22	418	307	15
30-Mar-22	735	348	18
West Lothian			
01-Feb-22	355	307	17
01-Mar-22	958	605	20
30-Mar-22	1,522	746	47
Totals	15,903	10,968	402

**** 30 March Updates are based on current figures - not published until 30 March and so are subject to change**

2.3 The current numbers of absent voting figures for each constituent council are shown below.

City of Edinburgh Council	
Postal	94,801
Proxy	417
Postal Proxy	200
Total	95,418
East Lothian	
Postal	22,030
Proxy	67
Postal Proxy	14
Total	22,111
Midlothian	
Postal	17,716
Proxy	41
Postal Proxy	9
Total	17,766
West Lothian	
Postal	30,662
Proxy	79
Postal Proxy	12
Total	30,753

2.3 I was asked at the last Board meeting in February if I could give a more detailed report on the topic of **deletions** from the Electoral Register as it was felt that the numbers were perhaps higher than members may have expected. So, to give some context first, the figures for additions and deletions since February 2021 are shown below.

	Additions	Deletions
City of Edinburgh	63,314	55,358
Midlothian	6,898	5,801
West Lothian	12,872	11,132
East Lothian	8,767	7,174
Totals	91,851	79,465

As can be seen there have been, in all the constituent councils, more additions than deletions to the register during this time. The increase to the register during this period is in fact 12,386.

Some deletions will have a corresponding addition to the register. So, for example somebody moving home within a constituent council will be deleted from one address and added at another in effect balancing each other out. However, where we receive information that an elector is no longer resident at a particular address but the information is not provided by the elector themselves, we have to carry out a 14 day review which involves writing to the elector informing them that their name will be removed. If the review carries into the next update period, then they won't be removed until the next update. This doesn't mean that these former residents are not registered. They may have registered elsewhere months before and have simply forgotten to provide their previous address.

During the canvass period we undertake many reviews meaning there are months where we are removing not only those who state that they have moved, but also concluding the reviews for former residents.

Canvass is our way of bringing the register up to date and ensuring it is as accurate as possible. This involves an element of removing old entries however that can lead to what appears to be high numbers of deletions where in reality a corresponding entry for the elector may already have been added to the register at an earlier date.

Another reason for deletions will involve the student community. Many students move back home at the end of term and therefore require to be removed from the register. This transient activity is particularly observed around student accommodation where students move out with Lothian, often permanently. These properties are unlikely to be occupied until the start of the next student year and so will lead to higher than usual deletion figures at this time.

It is also unfortunate that there are generally more deaths during the winter months and so it is not unusual for this to be reflected in increased numbers of deletions during this period.

3.0 ELECTORAL LEGISLATION – BY-ELECTIONS

3.1 There have been no recent by-elections due to the upcoming Local Government Election.

4.0 LOCAL GOVERNMENT ELECTION 2022

- 4.1 Preparation for the upcoming Local Government Election is ongoing. Poll cards and postal poll letters were delivered from the 17th of March. These delivery dates were standardised across Scotland. Closing date for Registration applications is Monday 18 April which is Easter Monday. This is not considered a bank holiday for Electoral Registration purposes so the office will require to be open. The closing date for postal vote applications is 19 April with the close for proxy voting being 26 April.
- 4.2 To date there has been no active spikes in the number of registrations or postal votes received. In relation to our targeted house notification letter, which we sent in February, this has resulted, to date, in 3,729 additions to the register from 2,618 different properties.
- 4.3 At the last Board meeting I provided a detailed update on our ongoing engagement activities. For information purposes there are other additional resources and campaigns provided by the Electoral Commission which are shown below.

Welcome to Your Vote

16 and 17 year olds

Our 'Welcome to Your Vote' campaign is running on Instagram and Snapchat until 18 April to target 16 and 17 year olds. We have also published [learning resources for 14-18 year olds](#), which can be used in schools and youth groups, and include lesson plans, an assembly presentation and videos.

Got 5? Voter registration campaign

Our 'Got 5?' campaign is now live and will run until 18 April. The campaign is targeted at those who are less likely to be registered, including 16-34 year olds, private renters and recent movers, and is running across a number of channels, including television, radio and social media.

New Scots

We're working with voluntary organisations to raise awareness amongst New Scots about their right to vote in the elections and how to register. A range of resources are available, including an FAQ in various languages and a facilitator guide for community groups.

[Download resources to support the Welcome to Your Vote campaign](#)

Voter information

From 28 March, all households in Scotland will receive a [voter information booklet](#) explaining how to register to vote, how to apply for a postal or proxy vote, and how to complete their ballot paper. The booklet is also available in [BSL, Easy read, audio, Polish and Gaelic](#). Braille and audio CD versions of the voting guide are available on request by calling 0800 3 280 280. We have also published a range of digital and print resources to support stakeholders in raising

awareness of the key information voters need. [Download the voter information resources](#). Voters can also use the Commission’s [postcode lookup tool](#) to find their polling place and the list of candidates standing in their ward before they go to vote.

Information for disabled voters

As well as the [alternative formats of the voter information booklet](#), we have also published a [guide in partnership with RNIB Scotland, Sight Scotland and Guide Dogs Scotland](#), which explains the support blind and partially-sighted voters can expect at the polling place.

Guides for professionals working with specific groups

We have also published guides for professionals working with:

- [those who are experiencing homelessness or don’t have a settled address](#)
- [domestic abuse survivors, who may want to register to vote anonymously](#)
- [eligible prisoners](#).

Understanding Single Transferable Vote

To ensure voters understand they need to vote using numbers in these elections, we are running a Facebook advertising campaign from 19 April until polling day, featuring [an animation](#) which explains how votes are counted under the Single Transferable Vote system.

5.0 ELECTIONS BILL

5.1 The bill is now through the committee stage at the House of Lords. It then moves onto the report stage and a 3rd reading scheduled for the 25th of April. Royal ascent is still scheduled for May 2022 but that could change. It perhaps is also worth noting that the fixed term parliament act has been repealed which will allow the Prime Minister in effect to call a general election at the time of their choosing with 25 days’ notice of the election itself.

6.0 VALUATION ROLL – MAINTENANCE

6.1 As we are approaching the end of the financial year, I have shown statistics for the period 1st April 2021 to 23rd March 2022.

1st April 2021 to 23rd March 2022

	Edinburgh	Midlothian	W. Lothian	E. Lothian	Total
Inserts	874	57	112	67	1,110
Deletions	596	53	82	51	782
Amendments	714	87	148	100	1,049
Totals	2,184	197	342	218	2,941

7.0 VALUATION ROLL – APPEALS

- 7.1 As previously reported LVJB have c.17,000 outstanding appeals that have been lodged on the basis of Covid 19. It was recently announced that any appeals lodged after 01/01/20 would have their disposal date amended from 31st December 2022 to 31st December 2023 which will include these appeals.
- 7.2 Whilst this does not mitigate the risk involved with dealing with this number of outstanding appeals it does in effect allow some room for manoeuvre and provide additional planning time.
- 7.3 Legislation is still being considered by the Scottish Government with regard to Covid appeals though at the moment I have no further update on this. I will keep the board updated as and when further details are known.
- 7.4 Valuation Appeal Committee hearing dates have been agreed with the secretary of the VAC up until June 2022. These hearings will be used for a mixture of Non-Domestic and Council Tax appeals.

8.0 COUNCIL TAX – MAINTENANCE

- 8.1 Over the period 1st April 2021 to 23rd March 2022, 5,507 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
01/04/21 to 23/03/22	3,096	766	757	888	5,507
01/04/19 to 23/03/20	3,211	592	1,112	1,066	5,981

- 8.2 The figures for 21/22 are running at 92.1% of those for 19/20. It is probably fair to say the new housing figures are back to near enough pre pandemic levels.
- 8.3 There are currently c.200 outstanding Council Tax appeals. A number of Council Tax appeals recently proceeded to hearing before the Valuation Appeal Committee. More council tax appeals are scheduled to be cited for the next diet of hearings in May and June.

9.0 GOVERNANCE STRATEGY GROUP

- 9.1 The most recent meeting of the Governance Strategy Group was held on the 21st of March 2022. In attendance were myself, LVJB Head of Governance, Councillors Key and McGuire. Topics discussed were Covid Appeals, Electoral Registration update, LVJB printing contract and our Cyber Resilience. With regard to our printing contract the current contract is up for renewal at the end of June. It is my intention to move to another supplier which should provide fairly significant savings against our current costs.

10.0 THE 21/22 ANNUAL GOVERNANCE STATEMENT (ATTACHED AT APPENDIX 1)

10.1 This statement conveys assurance that our organisation continues to provide key valuation and electoral registration services within an appropriate governance and internal control framework whilst the majority of staff primarily work from home.

Our strategic targets and deliverables encompass the 7 principles of the CIPFA/SOLACE framework for Delivering Good Governance in Local Government. Quality assurance activity, corporate & service plan goals and current and future objectives are also included in the report.

Corporate, service and project risk registers undergo continual maintenance and review by the LVJB Governance Committee, with items of significant risk being considered at Corporate Leadership Team meetings and subsequently reported to the Board where required. The Governance Strategy Group (GSG) also convenes regularly to discuss matters of organisational strategy and risk.

Annual internal and external audit work plans with the City of Edinburgh Council and Azets continue to be progressed.

11.0 BUDGET & CONTINUED TRANSFORMATION

11.1 The budget for 21/22 is still projected to show an underspend which is to be welcomed. Future years are projected to show a shortfall in funding which will have to be addressed moving forward. To progress this matter, I have drafted a medium term financial plan and plan to have further discussions with the Treasurer, Accountant and Audit.

11.2 We continue to review processes & procedures to improve efficiency, introducing performance management systems, support & training, ensuring staff are multi-skilled to enable dynamic allocation of resource at times of peak activity.

12.0 RECOMMENDATION

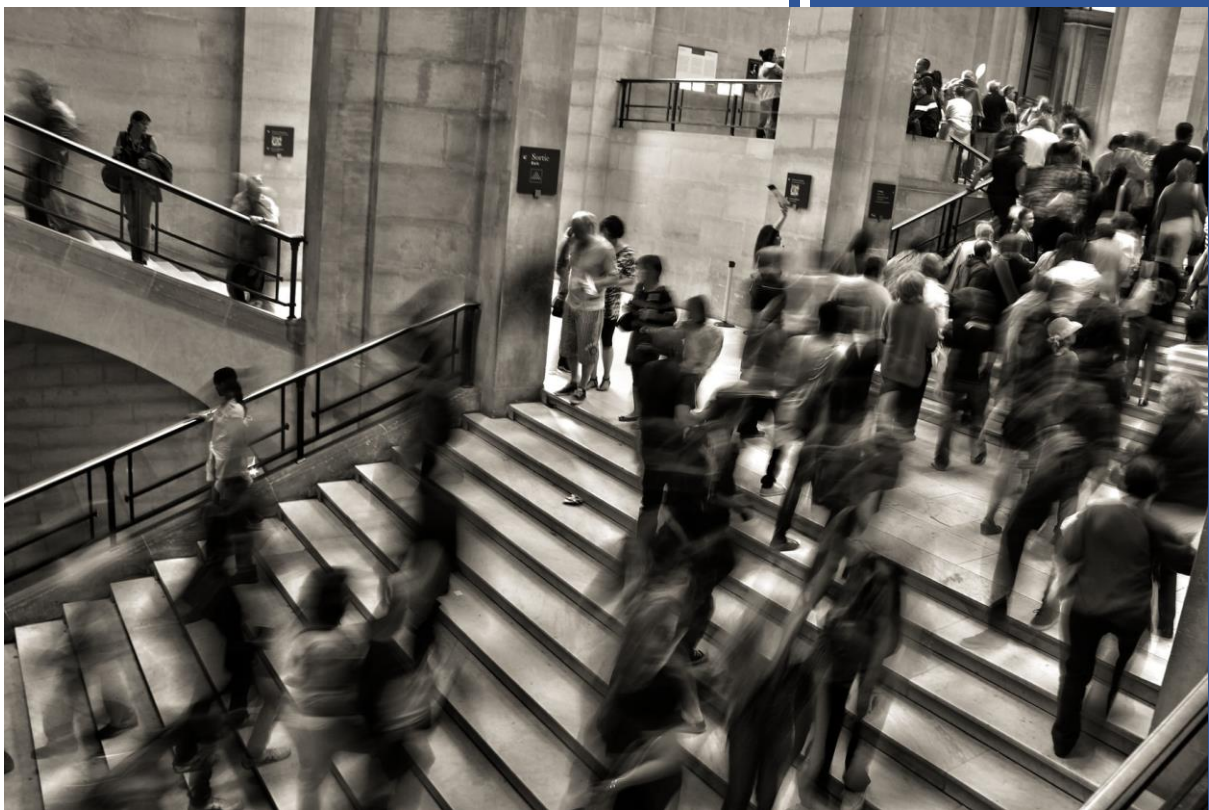
12.1 The Board is asked to note the content of this report.

Gary Elliott
ASSESSOR & ERO

Attached:
Appendix 1 The 2021/22 Annual Governance Statement

2021/22

Annual Governance Statement



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1. Introduction

Lothian Valuation Joint Board (LVJB) has responsibility for ensuring that it conducts its business in accordance with legislation and proper standards, and that public money is properly accounted for and expended to achieve maximum value. LVJB are committed to pursuing continuous improvement in the way in which services are delivered to attain organisational efficiency.

In discharging this responsibility, LVJB has established comprehensive arrangements for the governance of its activities and the operational exercise of its functions, which includes arrangements for the management and oversight of risk.

LVJB acknowledges its duty for ensuring that there is effective governance within the organisation and as such has developed a Code of Corporate Governance defined by three 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 accessible to those who need them, and sufficient 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 service oriented results while making the best use of its resources
- we operate in an environment of continuous improvement

LVJB's Governance Committee provides internal assurance and quality control over the primary functions and services of the organisation. There is also an external Governance Strategy Group that meets regularly with Board members to ensure consistency in respect of governance and service assurance matters. 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. Adapting to the consequences of the pandemic

COVID-19 continues to present organisations with unique challenges and though there is indication of a return to more familiar routines, there can be no doubt that businesses have had to adapt their operational and service models significantly.

Over the last year, LVJB have maintained the provision of high levels of service quality around its three core functions and continue to oversee these services with the necessary governance and control mechanisms required to provide assurance to stakeholders and Board members.

The organisation sustains clear and consistent communication with staff as we move closer to a formal hybrid return to work situation. Staff who opt to work from home will undertake appropriate risk assessments to ensure that their working environment is safe and has the necessary resources for them to function effectively.

Risk management, assessment and evaluation, continues to be monitored via the LVJBs Governance Committee, Project Management Framework, Quality Assurance procedures and Corporate Leadership Team. This provides appropriate levels of assurance which are reviewed through our annual Internal & External audits and are incorporated in this Annual Governance Statement.

The pandemic has produced one major risk to the organisation in that circa 17,000 material change of circumstance appeals have been lodged on COVID grounds. Resolving this number of appeals in what would in essence be a 6 month period and at the same time carrying out the 2023 Revaluation would be extremely difficult. Proposed legislation may yet impact on the validity of these appeals and although the disposal timetable has been pushed out to December 2023, this remains a significant risk.

As we near almost 2 years of primarily imposed working from home conditions, it has provided the opportunity to refine work practices and to also improve remote security access and system protocols. New and alternative ways of working will continue to evolve and we must make every effort to create organisational & service delivery improvements during this period of continued transition.

3. Governance Assurance Framework

Our governance framework comprises the culture, values, systems and processes by which the organisation is directed and regulated. It enables the LVJB to monitor the attainment 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, anti-bribery, disciplinary codes, etc. all falling under a regular review framework, ensures a well-defined understanding of the importance of exemplary behaviour and ethics in all areas of the Joint Board's activities.
Improvement plan	<ol style="list-style-type: none"> 1) Participate in the Scottish Government Consultation on the review of the Public Sector Equality Duty in Scotland 2) Continued review of policies and procedures for relevance and currency
Principle 2	Ensure openness and comprehensive stakeholder engagement
Evidence	Transparency to stakeholders in the decisions we make and information we provide is being delivered with the implementation of additional assessors portal (www.saa.gov.uk) functionality. This includes providing comparative rental data used for valuation purposes and enhanced user experiences for ratepayers to digitally engage with the organisation. We have also implemented a revised model complaints handling procedure to provide a user-focused and accessible means for stakeholders to help our organisation "get it right first time".
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 particularly from a digital accessibility perspective
Principle 3	Seek outcomes in terms of sustainable economic, social, and environmental benefits
Evidence	The existing Business Strategy 2020/2023 has been reviewed to assess the impact of COVID and reflect ongoing transformational change. This has enabled the creation of an updated draft strategic plan which will facilitate the creation of a longer term financially stable position. Initial discussion with the Board, Treasurer, Accountant and Auditor have commenced in the development of this plan. As we continue our journey towards formal hybrid working, it has become clear that there are opportunities to reduce our environmental impact in terms of external survey and ways in which we engage with stakeholders.
Improvement plan	<ol style="list-style-type: none"> 1) Continue to develop the creation of a longer term financially secure Business Strategy 2) Investigate opportunities to reduce our carbon footprint
Principle 4	Determine interventions necessary to optimise the achievement of intended outcomes
Evidence	Following a series of workshops and training sessions, LVJB are currently rolling out "My PaTH", a new software platform for performance management. The system provides staff with the ability to set objectives for the year, identify training & development needs, increase skills, knowledge & ability under regular review with their line manager. It is anticipated that this will facilitate positive conversations

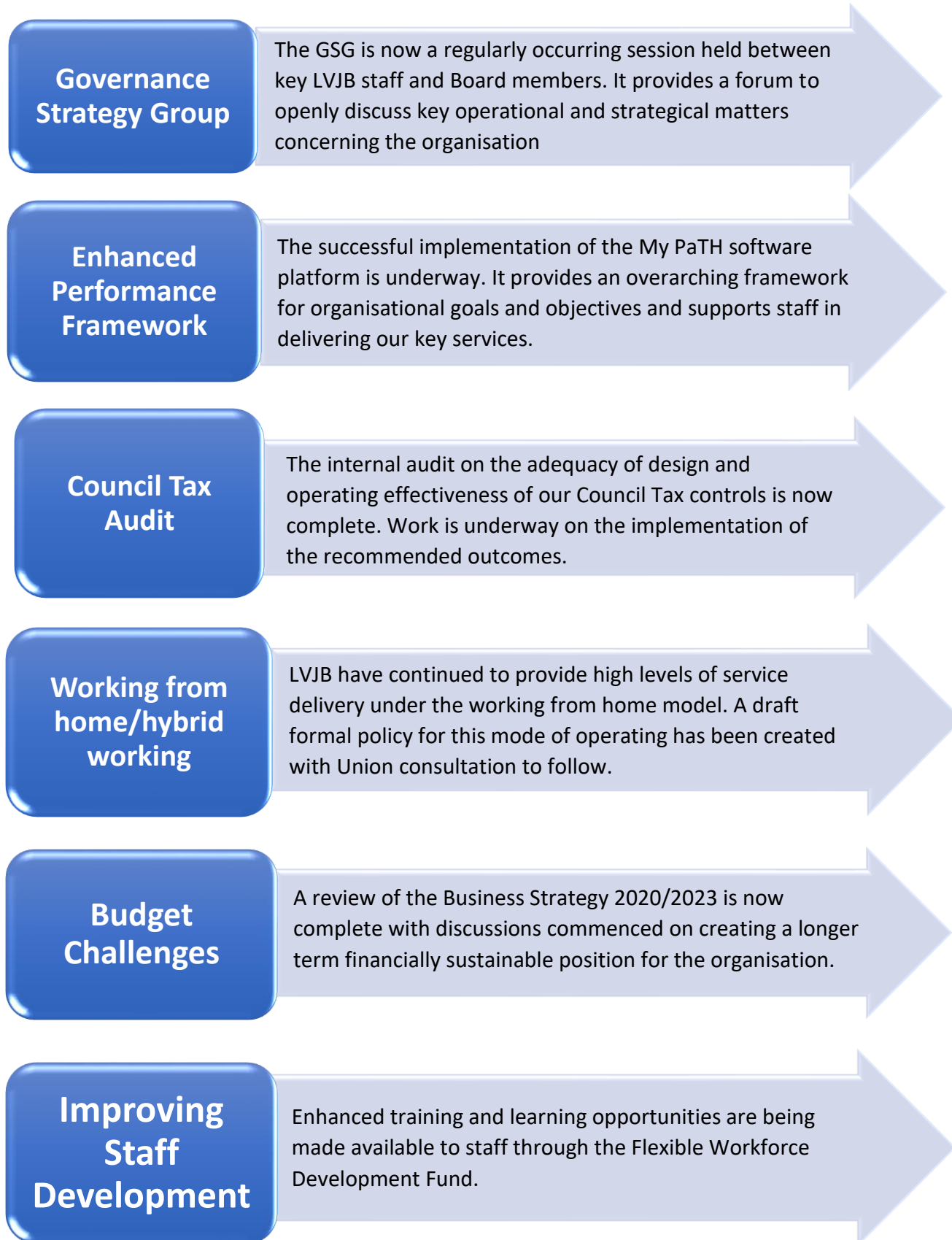
	between managers and staff, refresh motivation and increase job satisfaction whilst creating a more supportive, open and honest culture. LVJB operates under a flat cash budget with core costs approved for the 2022-2023 financial year.
Improvement plan	<ol style="list-style-type: none"> 1) Review the introduction of My PaTH to assess its organisational impact 2) Continued application of the LVJB Project Management Framework to monitor and evaluate positive project outcomes
Principle 5	Develop capacity, including the capability of its leadership and the individuals within it
Evidence	The My PaTH framework encompasses all levels of our organisational structure. It permits LVJB to identify and develop essential skills and techniques for staff to deliver high quality levels of service. Deployment of these services are supported by the creation of detailed workforce plans to enhance strategic allocation of resources.
Improvement plan	<ol style="list-style-type: none"> 1) Continue to assess and provide tailored training and personal development opportunities to staff. Fully utilise the Flexible Workforce Development Fund in this regard. 2) Review service output, performance and development on a regular basis to ensure continuing effectiveness
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 and any identified significant risks are escalated for review at CLT. Corporate risks are discussed at the Governance Strategy Group (GSG) and where required, presented to the Joint Board. 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	<ol style="list-style-type: none"> 1) Continue to promote risk management as an integral part of all organisational activities which must be considered in all aspects of the decision making process 2) Monitor service delivery effectively and continue to undertake post implementation reviews
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 4) is presented at Governance Committee meetings, delivering assurance over key service provision.
Improvement plan	<ol style="list-style-type: none"> 1) Continue to create and communicate information for stakeholders in a readily understood style which is appropriate to the intended audience and is easy to access and interrogate 2) Ensure that management recommendations for corrective action made by internal/external audit are acted upon

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 Plan

Our Corporate and Service plan sets 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 2021/22 were;



7. Corporate and Service plan – achievements

Following the implementation of our domestic mobile survey system we have introduced additional functionality to increase the visibility and management of new housing build sites. Our “Housing Register” provides a comprehensive overall view of all new housing in the Lothian area. It enables re-allocation of sites and single click occupancy update to improve efficiency of staff resource monitoring active sites and streamlining the creation of entries on the Council Tax List.

We have initiated the SPSO revised complaints handling procedure and updated our website to reflect this new information making it readily accessible to customers. Aside from providing enhanced insight into potential areas of service improvement, upon receipt of complaints we will now;

- Resolve complaints as close to the frontline as possible
- Record all complaints
- Report on active learning from complaints & publicise complaints information

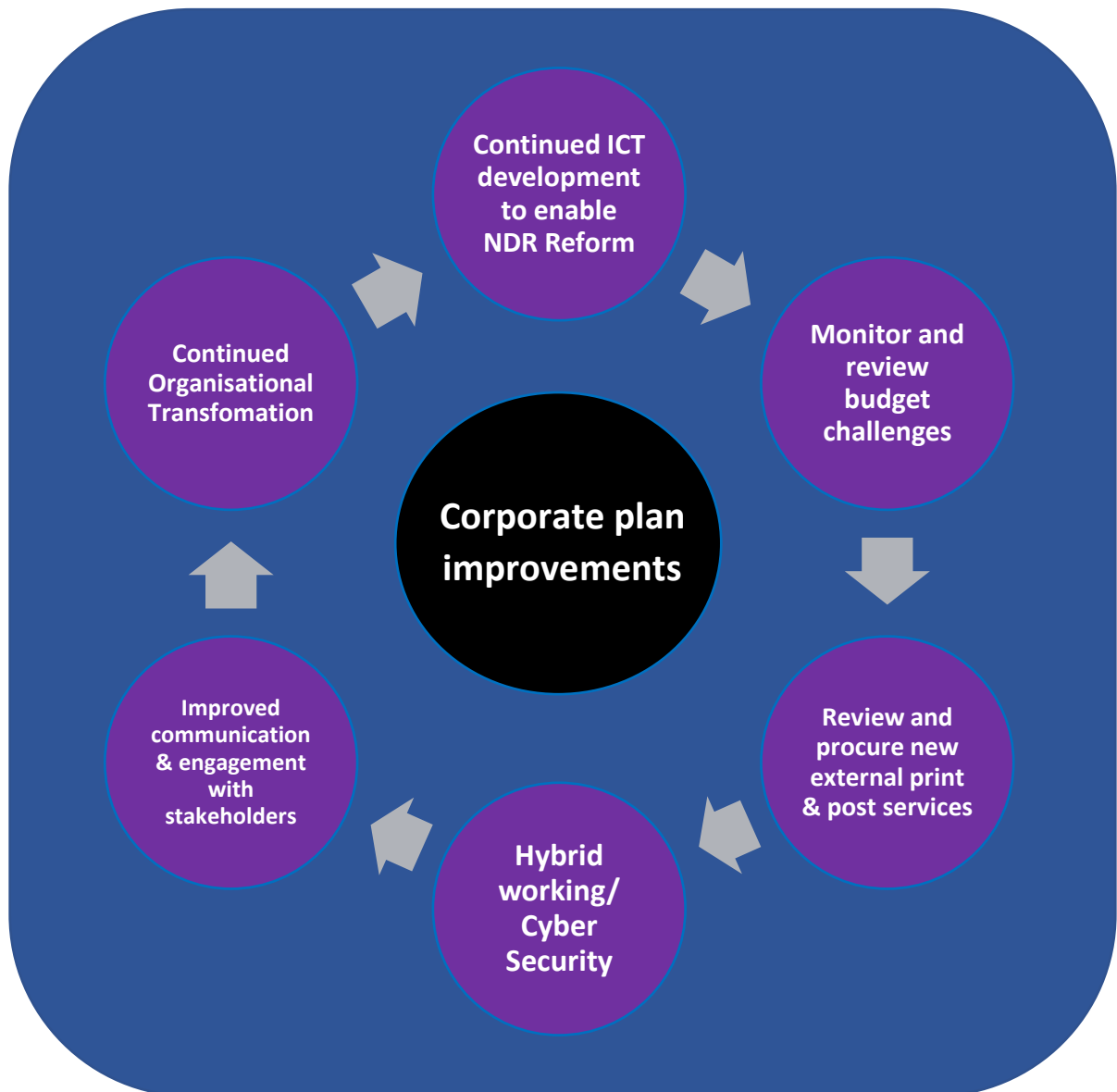
Continued operation from home has provided the opportunity to review our external working procedures. We have engaged with a supplier to provide personal security devices for staff giving location and check in/out information to confirm assignments have been completed safely.



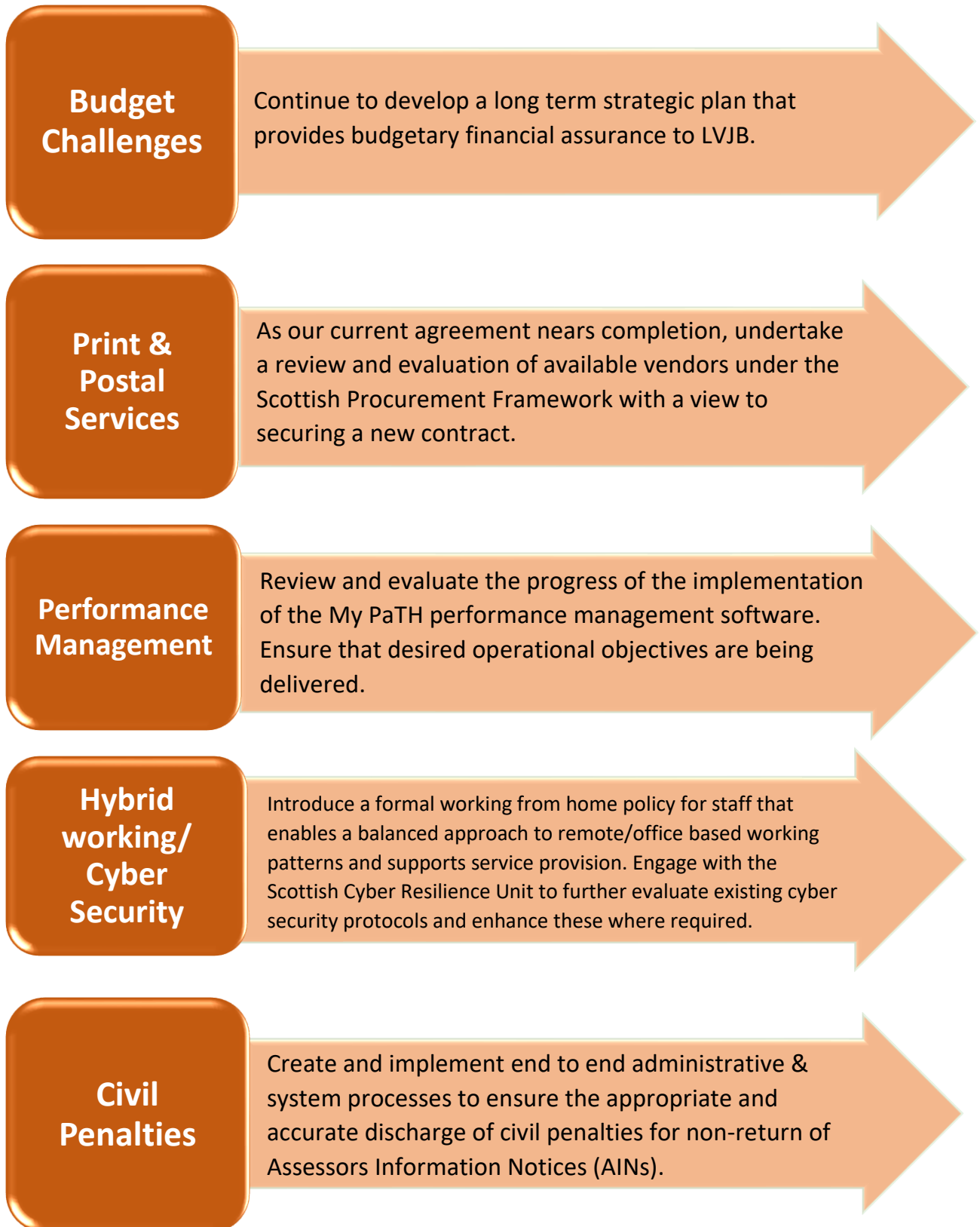
8. Corporate and Service plan – work in progress

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.

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



9. Future work in 2022



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10.00am, Monday 4th April 2022

2021/22 External Audit Annual Plan

1. Recommendations

1.1 The Board is recommended to note the External Audit Annual Plan 2021/22.

Hugh Dunn,

Treasurer

Contact: Iain Shaw, Principal Accountant,

Finance and Procurement, Corporate Services Directorate, City of Edinburgh Council

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

2021/22 External Audit Annual Plan

2. Executive Summary

- 2.1 The External Audit Annual Plan 2021/22 summarises the work plan for the external audit of Lothian Valuation Joint Board.

3. Background

- 3.1 Azets 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 2021/22 outlines the proposed main areas of scrutiny and timescales for 2021/22 audit.

4. Main Report

External Audit Plan 2021/22

- 4.1 The External Audit Plan 2021/22 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 2021/22

April 2022



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Introduction

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Introduction

1. This document summarises the work plan for our 2021/22 external audit of Lothian Valuation Joint Board (“the Board”).
2. The core elements of our work include audits of:
 - the 2021/22 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.

summarises the audit plan for 2021/22 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 team.

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 its 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

Auditor 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 comply with the Financial Reporting Council’s (FRC) Ethical Standard. In our professional judgement, we are 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 looking, by identifying areas of

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.

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



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 the Audit when circumstances indicate that a statutory report may be required
- demonstrate compliance with the wider scope of public audit.

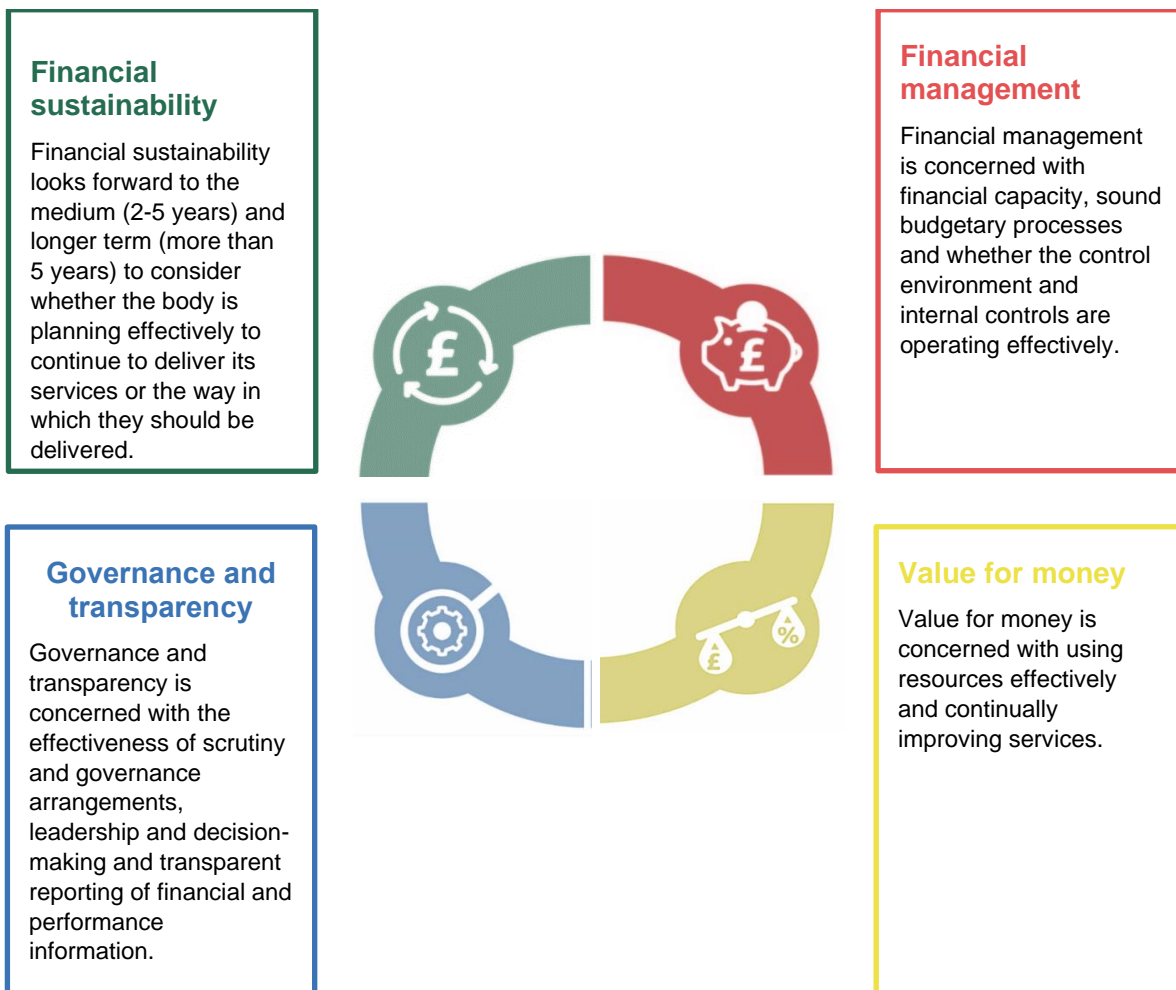
Wider scope audit work

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 of Audit Practice 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 that application of the restricted wider scope is appropriate at the Board.

18. Weaknesses or risks identified by the audit are only those which have come to our attention during our normal audit work in accordance with the Code of Audit Practice and may not be all that exist. Communication by Azets 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.

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.
- 21. Audit Scotland has requested that external auditors focus on the audited body’s arrangements relating to the

best value theme of fairness and quality. We will consider this in the context of our wider scope audit work and include commentary in our annual audit report as appropriate.

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 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 the 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 their 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. 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>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

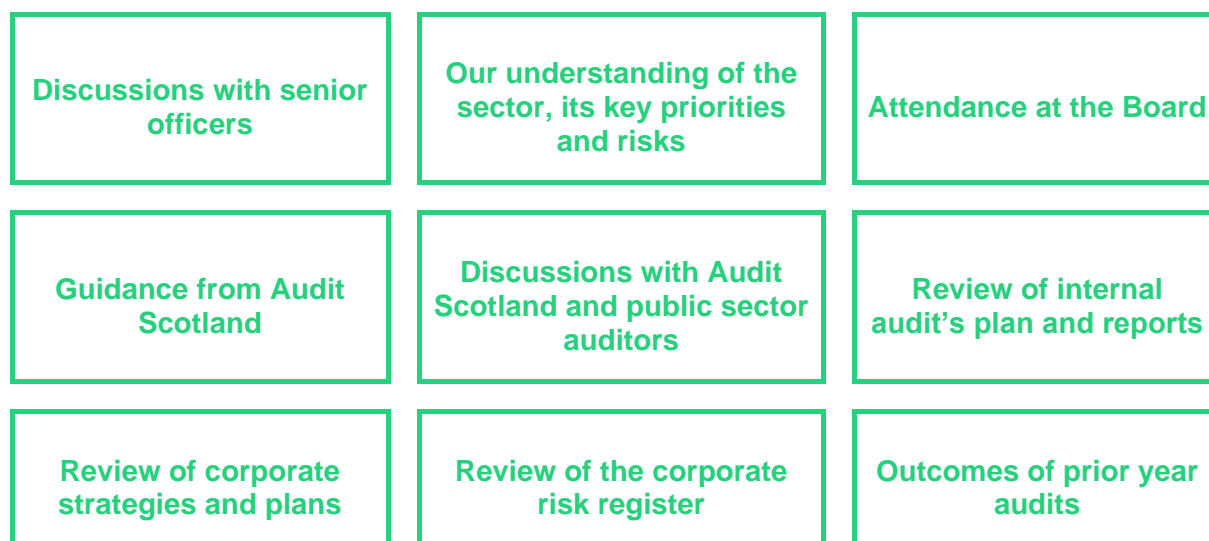


Audit strategy

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 updated during the course of our audit to take account of developments as they arise.

Communication 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 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 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.

Internal Audit

29. We will consider 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 as efficiently and effectively as possible.

Service organisations

30. The Board uses the City of Edinburgh Council (“the Council”) to provide financial ledger, payroll and human resources services. Where those services (and associated systems) have a material impact on the annual accounts we will work with the Council to understand the controls in place over the systems used in delivering these services.

COVID-19 – impact on our 2021/22 audit strategy

31. The COVID-19 pandemic has had, and continues to have, a significant and profound effect on 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. As we continue to follow Scottish Government guidelines, and acknowledge the Board’s working arrangements, we are currently planning to carry out our audit remotely. 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.
 - Meetings are 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 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. We will use DocuSign (electronic signatures) for signing the 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.

Annual accounts



Annual Accounts

Introduction

45. 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

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

Risk-based audit planning

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

Accounting systems and internal controls

48. We evaluate the key accounting systems and internal controls and determine whether they are adequate to prevent material misstatements in the annual accounts.
49. 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.
50. We will take cognisance of any relevant internal audit reviews of systems and controls.

51. 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.
52. 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.
53. 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

54. 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.
55. 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.
56. 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.
57. 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

58. 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.

59. 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

60. 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.
61. 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 2021/22 (the Code).

Independent auditor’s report

- 62. 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.
- 63. We also provide an opinion on other prescribed matters including the remuneration report, annual governance statement and management commentary.

Materiality

- 64. 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.
- 65. 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.
- 66. Performance materiality is 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.

- 67. 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 gross expenditure as disclosed in the 2020/21 audited annual accounts. We consider this to the principal consideration for the users of the annual accounts when assessing the financial performance of the Board.	110,000
In performing our audit we apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.	
Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	82,000

- 68. 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.

Key audit risks in the annual accounts

69. 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

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*.

70. 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.

71. In respect of the Board's funding received as requisitions from the constituent local authorities, we do not consider the risk of revenue recognition to be significant due to a lack of incentive and opportunity to manipulate transactions of this nature. We have concluded, however, the risk of fraud in relation to revenue recognition is present in all other revenue streams.

72. We will evaluate each material revenue stream, including the controls over revenue accounting. We will conduct substantive testing on all material revenue streams to confirm revenue has been recognised appropriately and in line with accounting policies. Given the findings reported in our 2020/21 Annual Audit Report, particular focus will be given to the accounting treatment of grant funding.

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 an increased 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 liability (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 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. 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.
76. We continue to monitor government and relevant announcements as they pertain to the audit and will adapt our audit approach as required.

Accounting estimates

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

Wider scope audit



Wider scope audit

Introduction

79. As described previously, the Code of Audit Practice frames a significant part of our audit 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 Board and the services that it delivers over the medium and longer term.
80. Our planned audit work against these two areas is risk based and proportionate. Our initial assessment builds upon our work in prior years to develop an understanding of the Board's key priorities and risks, along with discussions with management and review of Board minutes and key strategy documents.
81. At this stage of our audit planning process, we have identified one significant risk to the wider scope of our audit (Exhibit 4).
82. Audit planning however is a continuous process. We will report any other identified significant risks in our annual audit report.

Exhibit 4 – Wider scope significant risk


Financial sustainability

In February 2022 the Board approved its revenue budget for 2022/23 and indicative budget estimates for the subsequent four years (to 2026/27). The indicative financial plan 2023/24 to 2026/27 identifies that, without an increase in council requisition and/or delivery of sustainable savings, a funding shortfall of £0.513million is forecast from 2023/24. This increases to £1.038million by 2026/27, before any drawdown from the Board’s unallocated General Fund Reserve which is set at £0.869million across the five year period.

The Board faces increasing cost pressures, particularly around employee costs which comprise c.74% of the Board’s expenditure.

The Financial Plan assumes that there will be no increase in council requisition until at least 2026/27. The last increase in council requisition was in 2009/10, with the approved 2021/22 annual budget marking over a decade without increase in requisitions.

The Board has committed to developing a comprehensive and sustainable medium term strategic plan to address the significant projected funding gaps.

- 
- 83. 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 support the delivery of the Board’s statutory functions and strategic objectives.

Audit outputs, timetables and fees



Audit outputs, timetable and fees

Audit outputs

Audit Scotland has set target dates for 2021/22 which transition to more regular timescales. This is subject to agreement with the Scottish Government, and Audit Scotland will confirm the dates in due course. Audit Scotland has provisionally set a target date of 31 October (which requires a further amendment to the accounts regulations for 2021/22).

We have set out below target months which align to the schedule of Board meetings. We 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 and related circumstances.

Audit output	Description	Target month	Deadline for submission to Audit Scotland
External audit plan	This report sets out the scope of our audit for 2021/22.	March 2022 ²	31 March 2022
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 2022	31 October 2022
Annual Report to the Board and the Controller of the 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 2022	31 October 2022

² The External Audit Plan was agreed with management in March 2022. However, the plan will be considered by the Board at its scheduled meeting on 4 April 2022.

84. Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.
85. 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

86. Audit Scotland sets an expected audit 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.
87. 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.
88. For 2021/22, we propose setting the audit fee at c.5% above the expected fee level (expected fee level £7,820). This reflects the level of work we consider is required in response to the key audit risks identified.

	2021/22	2020/21
Auditor remuneration	£7,160	£6,620
Pooled costs	£700	£630
Contribution to Audit Scotland costs	£360	£360
Total fee	£8,220	£7,610

89. 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

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

FEB 22	●	Planning meeting to inform the 2021/22 audit
APR 22	●	Presentation of External Audit Plan to the Board
JUN 22	●	Unaudited annual accounts presented to those charged with governance
JUL/AUG 22	●	Final audit commences
OCT 22	●	Presentation of our Annual Audit Report to the Board

Appendices



Appendix 1: Azets

Azets deliver 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 local authorities, NHS bodies, 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 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.

Karen will be the Engagement Lead in charge of our audit of the Board.



Catriona Biggs

Audit Senior

catriona.biggs@azets.co.uk

Catriona joined Azets in 2018 as a public sector audit trainee and has since achieved her CA qualification.

Catriona will 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 and 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.

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Future Meeting Arrangements June 2022 to June 2023

4 April 2022

Purpose of Report

- 1 To advise members of the proposed schedule of meetings for the Lothian Valuation Joint Board for the period to June 2023 and arrangements for meetings of the Joint Consultative Group.

Main report

- 2 The meetings of the Lothian Valuation Joint Board have been arranged on an approximate twelve-week cycle adjusted, as far as possible, to take into account the meeting schedules of the constituent authorities represented on the Board.
- 3 As meetings of the Joint Consultative Group (JCG) have been infrequent in previous years, agreement has been reached with the trade union (UNISON) that meetings will be arranged on an "on request" basis.
- 4 Proposed dates for meetings of the Joint Board for the period to June 2023 are shown below. Specific meetings are included to consider the Joint Board's Revenue Budget for 2023/24, the Unaudited Accounts for 2021/22 and 2022/23 and the Audited Accounts for 2021/22.
5. Following the Local Government Elections in May 2022, these dates will be reviewed to identify any potential clashes with other meetings of the constituent councils and may be revised if necessary, in consultation with the Convener and Vice-Convener.

Proposed Date	Time
Monday 13 June 2022 (Unaudited Accounts)	10:00am
Monday 5 September 2022	10:00am
Monday 24 October 2022 (Audited Accounts)	10:00am

Monday 30 January 2023 (Revenue Budget)	10:00am
Monday 24 April 2023	10:00am
Monday 12 June 2023 (Unaudited Accounts)	10:00am

Recommendations

- 6 The Board is asked:
- 6.1 To approve the schedule of meetings as detailed for the period June 2022 to June 2023.
 - 6.2 To agree that meetings of the Joint Consultative Group would be held on an “on request” basis.

Andrew Kerr
Chief Executive and Clerk

Appendices	None
Contact	Rachel Gentleman, Office of the Chief Executive and Clerk ☎ 0131 529 4107; ✉ rachel.gentleman@edinburgh.gov.uk
Background Papers	None