



Grampian Valuation Joint Board

Friday, 23 August 2019

NOTICE IS HEREBY GIVEN that at a Meeting of the **Grampian Valuation Joint Board** is to be held at **Woodhill House, Aberdeen**, on **Friday, 23 August 2019** at **10:30**.

BUSINESS

1. **Sederunt**
2. **Declaration of Group Decisions and Members Interests ***
3. **Minutes of the Meeting from 21 June 2019** 5 - 8
4. **Annual Accounts for Year Ending 31 March 2019** 9 - 84
Report by the Treasurer
5. **Reports to those Charged with Governance 2018-19** 85 - 116
Report by the Treasurer
6. **Internal Audit Annual Report 2018-19** 117 - 120
Report by the Treasurer
7. **Financial Regulations and Anti-Fraud and Corruption** 121 - 144
Report by the Treasurer
8. **Code of Corporate Governance** 145 - 154
Report by the Assessor and ERO
9. **Question Time *****

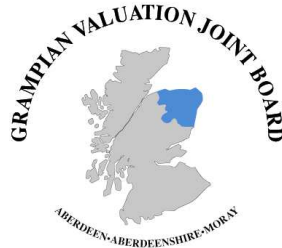
Consider any oral question on matters delegated to the Committee in terms of the Council's Scheme of Administration.

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| GUIDANCE NOTES |
|-----------------------|

- * **Declaration of Group Decisions and Members Interests** - At the beginning of the meeting, immediately following the Sederunt, the Convener will, in terms of Standing Order 25, seek declarations from individuals on any financial or other interests.

- ** **Written Questions** - Any member can put one question to the Convener about relevant and competent business not already on the Agenda for a meeting of the Board. No member can put more than one question at any meeting. The member must give notice in writing of their question to the Clerk 4 working days prior to the meeting. A copy of any written answer provided by the Convener will be tabled at the start of the relevant meeting. The member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter but no discussion will be allowed.

- *** **Question Time** - At each ordinary meeting of the Board, 10 minutes will be allowed for question time when any member can put one question to the Convener regarding any matter within the remit of the Board. The Member who has put the question may, after the answer has been given, ask one supplementary question directly related to the subject matter, but no discussion will be allowed. In the event of further information/investigation being required in order to answer the question, the Clerk will arrange for a written answer to be provided within 7 working days.



Grampian Valuation Joint Board

SEDERUNT

Councillor Graham Leadbitter (Chair)
Councillor Bill Cormie (Depute Chair)
Councillor Charles Buchan (Member)
Councillor Alan Donnelly (Member)
Councillor Gordon Graham (Member)
Councillor Andy Kille (Member)
Councillor Neil MacGregor (Member)
Councillor Ron McKail (Member)
Councillor John Reynolds (Member)
Councillor Michael Roy (Member)
Councillor Brian Topping (Member)
Councillor Judy Whyte (Member)
Councillor Frank Brown (Member)
Councillor Theresa Coull (Member)

Clerk Name: Tracey Sutherland
Clerk Telephone: 01343 563014
Clerk Email: tracey.sutherland@moray.gov.uk



Minute of Meeting of the Grampian Valuation Joint Board

Friday, 21 June 2019

Council Chambers, Council Office, High Street, Elgin, IV30 1BX

PRESENT

Councillor Frank Brown, Councillor Charles Buchan, Councillor Bill Cormie, Councillor Andy Kille, Councillor Graham Leadbitter, Councillor Neil MacGregor, Councillor Ron McKail, Councillor Michael Roy, Councillor Brian Topping, Councillor Judy Whyte, Councillor Neil Copland (for Councillor Sandy Stuart)

APOLOGIES

Councillor Theresa Coull, Councillor Alan Donnelly, Councillor Gordon Graham, Councillor John Reynolds, Councillor Sandy Stuart

IN ATTENDANCE

1. Chair

The meeting was chaired by Councillor Graham Leadbitter.

2. Declaration of Group Decisions and Members Interests *

In terms of Standing Order 25 and the Councillor's Code of Conduct, there were no declarations from group leaders or spokesperson in regard to any prior decisions taken on how Members will vote on any item on the agenda or any declarations of Members' interests in respect of any item on the agenda.

3. Minute of the Meeting of 1 February 2019

The minute of the meeting of the Board dated 1 February 2019 was submitted and approved by the Board.

Councillor McKail sought an update on the reports on office space, pool cars and the budget setting for 2020/21. In response the Assessor and ERO confirmed that the office space and pool cars will be covered in the workshop scheduled to follow the next meeting of the Board in August. The Treasurer to the Board confirmed that a report will be brought to the Board in the autumn regarding the budget setting for 2020/21 as agreed at the meeting in February 2019.

4. Revenue Budget Monitoring 1 April to 31 May 2019

A report by the Treasurer asked the Board to consider the Revenue Budget Monitoring Statement for the period 1 April to 31 May 2019.

Following consideration the Board agreed to note the Revenue Monitoring Statement to 31 May 2019.

5. Unaudited Accounts for 2018-19

A report by the Treasurer to the Board asked the Board to consider the unaudited Annual Accounts for the Grampian Valuation Joint Board for the year ended 31 March 2019.

Councillor McKail sought clarification on when the constituent authorities will receive the refunds. The Treasurer to the Board confirmed that the refunds will be processed immediately after the accounts have been audited which will be around September/October.

Following consideration the Board agreed to note the unaudited Annual Accounts of the Grampian Valuation Joint Board for the year ending 31 March 2019.

6. Complaints Report

A report by the Assessor and ERO sought to update the Board on the complaints handling performance for the previous year.

Following consideration the Board agreed to note the complaints handling performance.

7. Governance Report

A report by the Assessor and ERO advised the Board of equalities mainstreaming activities and updated the Board of the introduction of a register of interests for Officers.

Following consideration the Board agreed to note the content of the report.

8. Register of Electors Report

A report by the Assessor and ERO updated Members on IER grant funding from the government, an update on the new electoral registration system, the European Union Parliamentary elections and the arrangements for the 2019 canvass.

Following consideration the Board agreed to note the content of the report.

9. Valuation Roll and Council Tax Report

A report by the Assessor and ERO updated the Board on progress in appeal resolution and advised the Board of the performance levels achieved during 2018/19.

The report also updated the Board on the progress of the reforms to non-domestic rates (NDR) and the related implications for Assessors.

Following consideration the Board agreed to note the appeal progress and the performance information.

10. Risk Report

A report by the Assessor and ERO advised the Board on the current risk management position.

Following consideration the Board agreed to note the current version of the risk register and the plans for future reviews.

11. IRRV Conference 2019 Report

A report by the Assessor and ERO advised the Board in relation to the Institute of Revenues, Rating and Valuation (IRRV) Annual Scottish Conference and to seek approval for representation at the conference.

Following consideration, Councillor Kille was nominated to attend the conference. Any other nominations to be sent to the Assessor and ERO.

12. Question Time ***

No further questions were submitted.



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 23 AUGUST 2019

SUBJECT: ANNUAL ACCOUNTS FOR YEAR ENDING 31 MARCH 2019

BY: TREASURER TO THE BOARD

1. REASON FOR REPORT

- 1.1 To submit the audited Annual Accounts for the financial year ending 31 March 2019 to the Board for consideration and approval.

2. RECOMMENDATIONS

2.1 It is recommended that the Board:-

- i) approves that the Annual Accounts are signed, having regard to the Annual Report from the external auditor considered earlier at this meeting, and subject to any amendments arising from the actuary's estimate of the impact of the McCloud judgement on the pension liabilities;
- ii) notes the surplus of £204,000 for 2018/19; and
- iii) if the Annual Accounts are approved for signing, agrees that £135,000 be returned to constituent authorities leaving a balance on the General Fund of £215,000.

3. 2018/19 ACCOUNTS

- 3.1 It is a statutory requirement that the Board meets to consider and approve for signature the audited Annual Accounts and, following the signing of the Annual Accounts, provides appropriately signed statements to the External Auditor, Audit Scotland.
- 3.2 A copy of the audited Annual Accounts for 2018/19 are appended to this report as **APPENDIX 1**. At the time of writing this report, advice from the actuaries to the North East of Scotland Pension Fund (NESPF) as to the estimated impact of the McCloud judgement on the Fund is awaited. Potentially this impacts on the pension liabilities disclosed in the accounts.

These liabilities are the subject of a statutory mitigation – which is to say they are accounting book entries only and have no substantive impact on the financial position of the Board – and so it is entirely proper for the Board to approve the accounts subject to any amendment required by the auditor following the actuary's advice. The Auditor's report is subject to agreeing the treatment of any amendments to the annual accounts arising from this issue.

- 3.3 The Auditor's draft Report to the Board and the Controller of Audit is the subject of a separate report to this meeting. Subject to the caveat in paragraph 3.3 regarding McCloud, the report confirms that there are no unadjusted misstatements in the accounts to report to those charged with governance.
- 3.4 The surplus to be returned to the Constituent authorities is in proportion to the percentage of requisitions for 2018/19 and is as follows:

| Authority | % | Amount to be Returned £000 |
|------------------|---------------|---------------------------------------|
| Aberdeen City | 39.07 | 53 |
| Aberdeenshire | 44.59 | 60 |
| Moray | 16.34 | 22 |
| Total | 100.00 | 135 |

If approved, the £135,000 will be returned to constituent authorities by netting off from the October requisitions.

4. CONCLUSION

- 4.1 The Annual Accounts are subject to adjustment following advice from the NESPF actuary. The Board generated a surplus of £204,000 in 2018/19. If the Annual Accounts are approved, £135,000 will be returned to constituent authorities leaving a balance on the General Fund of £215,000**

Author of Report: Lorraine Paisey
 Background papers: Held within Accountancy Section, Moray Council
 Ref: LP/LJC/

AUDITED ACCOUNTS



GRAMPIAN VALUATION JOINT BOARD

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2019**

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اگر آپ کو مورے کونسل سے کسی دیگر زبان یا صورت میں معلومات درکار ہوں مثلاً "بریلے، آڈیو ٹیپ یا بڑے حروف، تو مہربانی فرما کر رابطہ فرمائیں:



Treasurer to the Board, Financial Services, High Street, Elgin, IV30 1BX



01343 563125



accountancy.support@moray.gov.uk

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MANAGEMENT COMMENTARY

Strategy and objectives

Unlike local authorities that are charged with providing a wide range of services within their local authority area, the Assessor & Electoral Registration Officer is charged with the provision of valuation assessment and registration services across Aberdeen City Council, Aberdeenshire Council and Moray Council areas.

These strictly defined and regulated services are delivered by the Assessor & Electoral Registration Officer, the responsible independent statutory official, in partnership with the Grampian Valuation Joint Board. The Board is required to appoint and resource the Assessor; the constituent authorities are required to appoint and resource an Electoral Registration Officer (ERO). By agreement, the Board has undertaken this responsibility on behalf of the local authorities.

The priorities for 2018/19 were

- Conduct a full household canvass under the individual electoral registration (IER) regime;
- Publish revised registers by 1 December 2018;
- Replace the electoral registration computer system;
- Maximise valuation roll appeal resolution;
- Maintain a complete and accurate Valuation roll in terms of the Local Government (Scotland) Act 1975;
- Maintain a complete and accurate valuation list in terms of the Local Government Finance Act 1992.

Monitoring regimes

The Electoral Commission has a performance monitoring framework in place for EROs across the UK.

The Cabinet Office in its capacity as lead department for the implementation of individual electoral registration across the UK required performance returns from EROs that were shared with the Electoral Commission.

Key performance indicators set by the Board and submitted to the Scottish Government monitor the operational performance in terms of the valuation list and valuation roll.

MANAGEMENT COMMENTARY (continued)

Business model

The organisation delivers the outcomes that are required by statute in a dual strand approach with the Board providing resources and oversight and the Assessor and ERO delivering the specialised professional services of valuation assessment and registration from offices in Aberdeen, Banff and Elgin.

The Assessor and ERO works closely with the other Scottish Assessors and EROs via the Scottish Assessors' Association (SAA) to deliver a service across Aberdeen City, Aberdeenshire and Moray council areas that is consistent with that being delivered across all 32 local authority areas in Scotland. The sharing of expertise and representation through the SAA is a unique example of shared services across Scotland that includes a single website and data source for a wide range of stakeholders that includes citizens, business, third sector, public agencies, government and research bodies.

Key performance indicators measure the effectiveness of the organisation's valuation assessment role and the Electoral Commission's performance framework monitors the registration outcomes.

During 2018/19 the organisation met all the demands placed upon it in terms of valuation assessment and registration. Apart from the Cairngorm National Park election on 21 March 2019 and some local community council elections, no other local or national elections were scheduled for the year. This year had therefore been identified as the ideal opportunity to migrate from our in-house electoral registration system to an externally provided system as part of our risk mitigation strategy. This proceeded during the fourth quarter of the year immediately upon conclusion of the annual household canvass in December 2018.

In stark contrast to the registration service, the operational demands on the valuation service were extremely high with intense focus from all stakeholders on the ability of the service to meet the appeal disposal workload set by the local valuation appeal committees.

The principal risks and uncertainties continue to relate to national policy and resourcing. Whilst the organisation has a history of successfully implementing change, particularly in relation to assessment for domestic taxation and electoral registration, uncertainties continued to prevail in 2018/19. During the year significant work has been undertaken to estimate the shape and related requirements, and their costs, for NDR reform. At the same time, the organisation has been in reactive mode in relation to defending assessments against concerted challenge.

A fair review of the business

In terms of our priorities –

Conduct a full household canvass under the individual electoral registration (IER) regime.

The canvass of 278,637 households achieved a return rate of 84% by 1 December 2018. This was an improvement on the corresponding return rate of 79% as at 1 December 2016 and 83% as at 1 December 2017. We have continued to chase up non-returns and by mid-March 2019 the return rate had risen to 85%. We have also managed to increase the proportion of households who respond to the canvass by automated response channels such as online, text or automated telephone options from 79,606 in 2016 to 95,704 in 2017 and 104,965 in 2018. Automated responses are more efficient as they do not require back-office processing.

MANAGEMENT COMMENTARY (continued)

Publish revised registers 1 December 2018;

We completed our door to door canvass of final reminder properties earlier than in previous years and statistical data on our registration activities has been submitted to the Electoral Commission for its report on the December 2018 registers that is due to be published in May 2019. Meantime, there has been no indication from the Commission that we have not met the performance standards.

Maximise valuation roll appeal resolution;

The 2017 revaluation had a significant impact on ratepayers in the North East and the volume of appeals is greater than had been the case in previous revaluation years. The sensitivity of the situation was principally due to the slowdown in the NE property market that became apparent after the valuation date of 1 April 2015 but before the revaluation values came into force on 1 April 2017. Against this backdrop the service was severely challenged by ratepayers who had been encouraged to lodge appeals against their rateable values through campaigns in mainstream and social media along with advice from high profile professionals and politicians. The resultant heightened level of expectation for significant reductions in values through the appeal resolution process service has been proven to be wrong and the resultant appeal resolution process has therefore been particularly demanding in terms of expertise and resources.

A significant decision, published by the Lands Valuation Appeal Court in March 2018¹ supported the stance of the Grampian Assessor, did however add clarity to the law concerning changes in the economy and has assisted the appeal resolution process to a degree. However, the majority of appeals had essentially all been lodged ahead of the decision. In terms of numbers, the valuation service has resolved revaluation appeals against assessments for 3,627 properties and a further 3,361 running roll appeals. This represents the highest volume of appeal resolution ever achieved over 12 months in Grampian. In terms of accuracy, the most recent figures published by the Scottish Government show that the losses in rateable value through resolution of Revaluation appeals in Grampian is the lowest in Scotland at only 2%².

Maintain a complete and accurate Valuation roll in terms of the Local Government (Scotland) Act 1975

&

Maintain a complete and accurate valuation list in terms of the Local Government Finance Act 1992

The last two priorities make use of quantitative target based performance indicators rather than qualitative measures and as such can at times be misleading. In terms of overall numbers, the number of assessments of domestic and non-domestic properties being made within the 90 day performance timeframe when compared to the previous year has increased by 6% with 4,882 assessments in 2018/19 compared to 4,619 for the previous year. We met our performance target of 94% of new dwellings being banded in the 90 day timeframe but did not manage to make 70% of valuation roll updates within the same 90 day timeframe. The concentration of our resources on our priority of maximising appeal resolution rates did impact on updates to the valuation roll to the extent that 59% of updates were made within the 90 day timeframe.

¹ The Assessor for Grampian v Anderson, Anderson and Brown LLP and others 2018 at <https://www.scotcourts.gov.uk/docs/default-source/cos-general-docs/pdf-docs-for-opinions/2018csih15.pdf?sfvrsn=0>

² Non-domestic Rates Revaluation Appeals 2018-19 Q3 <https://www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/NDR-Rates-Relief/Appeals2018-19Q3>

MANAGEMENT COMMENTARY (continued)

In overall terms the organisation met its priorities for 2018/19. It has worked tirelessly to give ratepayers in the Grampian area not only extremely accurate rateable values, but also to maximise appeal resolution to provide the certainty that is so important to property occupiers and taxpayers. Meantime it has rolled out a new IT system for electoral registration and continued to deliver routine business as usual canvass, rolling registration, running roll and council tax update. Once again, the organisation has shown itself to be capable of responding and delivering.

Future developments

The priorities over the next two years relate to all three of our service areas. In relation to the Valuation roll, the completion of the revaluation appeal process and preparations necessary to deliver the next revaluation of non-domestic properties reflecting the reforms currently being implemented by government is absolutely critical. This will involve upgrading our capacity to meet the additional workloads of a three-year revaluation cycle.

We also have the challenge of implementing the electoral canvass reforms that are scheduled to replace the current unsustainable model. There are also the wider electoral reforms currently being considered by the Scottish Government that we will need to prioritise whilst we also work to optimise the recently installed electoral registration system.

Finally from a governance viewpoint we need to continue with our process of updating and modernising our governance arrangements to streamline and improve efficiency across the organisation whilst also seeking to ensure that we maximise our efficiency in terms of costs and service delivery.

These priorities involve many unknowns. Ratepayers' appeals against their assessments are by their very nature driven by the ratepayer rather than the Assessor. Our role is therefore essentially reactive; the NDR reforms are still at an outline stage in the NDR (Scotland) Bill with much of the detail to follow in secondary legislation. Similarly the electoral reforms in terms of canvass and franchise are still at the outline stage and will require a high degree of agility to ensure that implementation of the reforms does not impact on our service delivery. Finally, the question of resources also carries uncertainties and whilst the government has committed to provide additional funding for Assessors by way of the NDR Bill through to 2024/25, this funding will be channelled via the local government settlement and as such the organisation will need to ensure that requisitions are sufficient to continue to meet operational requirements. This must be viewed with the real prospect of top-up funding from the Cabinet Office being withdrawn on the implementation of the proposed canvass reforms.

Key performance indicators (KPI's)

The organisation's code of corporate governance established a KPI reporting and three-year review regime. They seek to quantify the effectiveness of the organisation's activities in relation to the valuation roll of non-domestic property assessments and the valuation list of domestic property council tax band allocations. The Assessor and ERO provides performance reports at every meeting of the Board and an annual public performance report is published online.

The Electoral Commission has reviewed the performance framework for electoral registration officers and for 2018/19 is focussing on qualitative performance monitoring in preference to target-based quantitative indices. This move to qualitative indices reflects concern regarding reliance on quantitative indicators.

MANAGEMENT COMMENTARY (continued)

Financial Performance for 2018/19

The public sector in Scotland continues to face severe financial pressures. In setting the 2018/19 budget the Board was conscious of the need of the constituent authorities to achieve savings. With employee costs representing over 75% of the revenue expenditure budget, there was little scope to make efficiencies without impacting on the level of service. The Board approved the procurement of a new Electoral Management System (EMS) which is designed to meet the demands of individual electoral registration, and a new telephone system in Woodhill House, after the existing landlines were being withdrawn. Some of these costs were met from the Capital Fund, which is now exhausted. The EMS has ongoing licensing costs for the next five years that are included in the revenue budget.

At the meeting of the Board on the 26 January 2018, the revenue budgeted net expenditure of £4.292m for 2018/19 was approved (2017/18 £4.039m), a 6.3% increase.

The actual net expenditure was £4.088m (2017/18 £4.095m) resulting in an underspend of £0.204m for the year. Of this total, £0.007m was used to cover Capital funded from Revenue, £0.135m will be returned to the constituent authorities and £0.062m was transferred into the General Fund Reserve.

The Comprehensive Income and Expenditure Statement shows a deficit of £0.332m on the provision of services for the year. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.392m and depreciation totalling £0.002m, the net transfer to the General Fund is £0.062m, the maximum permitted under the Board's Reserves Policy.

The table below shows a summary of the figures for the main variances between budget and actual for the year to 31 March 2019. These figures are reported to the Board throughout the year, and exclude IAS19 charges, depreciation and impairment of assets.

| | 2018/19 Budget £000 | 2018/19 Actual £000 | 2018/19 Variance £000 |
|--|------------------------------------|------------------------------------|--------------------------------------|
| Employee benefit expenses | 3,298 | 3,206 | 92 |
| Other service expenses | 1,071 | 998 | 73 |
| Support service recharges | 57 | 58 | (1) |
| Requisitions | (4,292) | (4,292) | - |
| Government grants and other service income | (131) | (171) | 40 |
| Interest and investment income | (3) | (3) | - |
| Net (Under)/over spend Against Budget | - | (204) | 204 |

Of the £0.092m underspend in Employee expenses, £0.087m relates to vacant posts and £0.005m of training. Other service expenses were under spent by £0.073m; this includes an underspend of £0.014m for property costs due to a reduction in the Woodhill House service charge for 2017/18 that was carried forward, and overspends for Non Domestic Rates for Woodhill House and unbudgeted Land and Buildings Transaction Tax (LBTT), a tax applied on the lease of Woodhill House; an overspend on Staff Transport costs of £0.012m for canvassers mileage; and an underspend in Supplies and Services of £0.071m, primarily Postage costs.

MANAGEMENT COMMENTARY (continued)

Government grants and other service income exceeded budget by £0.04m; government grant funding received for IER was initially below the budgeted level, however a Justification Led Bid was submitted to the Cabinet Office to recover additional IER-related costs incurred in the year, and was granted in full. Sales of electoral registers were also above budget.

Principal risks and uncertainties

The organisation maintains and reviews an operational and strategic risk register.

The principal risks and uncertainties relate to a fairly dynamic valuation assessment and registration statutory framework. As referred to above, funding responsibilities between central and local government are similarly fluid and the requirement to deliver enhanced services and reduced demands on the public purse present major challenges.

Apart from the normal control measures in terms of financial and operational planning, the Assessor and ERO is seeking to mitigate such risk and uncertainty through partnership working via the SAA and also external agencies. He is President of the Scottish Assessors Association, a member of the Electoral Management Board for Scotland, a member of the RICS rating and local taxation practice group and the Institute of revenues Rating and Valuation. He also works with COSLA, the Scottish Government, UK Government, the Electoral Commission, and chairs the Scottish Ratepayers Forum and Scottish Rating Surveyors Forum – both of these bodies being part of a consultation framework established by the SAA to improve the engagement with all stakeholders in the NDR system. He has provided evidence to the Local Government and Communities Committee in 2017 and 2018 and is scheduled to appear before the committee in 2019. Through these roles the organisation has a unique insight into potential developments in the valuation assessment and registration fields and therefore is able to minimise uncertainty as far as is possible.

Retirement Benefits

Employees are eligible to join the North East Scotland Pension Fund, a Local Government Pension Scheme (LGPS), administered by Aberdeen City Council. Note 22 to the annual accounts details the income and expenditure charged to the Comprehensive Income and Expenditure Statement in respect of the North East Scotland Pension Fund, based upon estimates provided by Mercer, the actuary to the Fund. The liability on the North East Scotland Pension Fund and a pensions reserve are incorporated on the balance sheet. In the Comprehensive Income and Expenditure Statement, the cost of retirement benefits is recognised in the Net Cost of Services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is funded by requisitions is based on the contribution payable to the pension scheme in the year, so the cost of retirement benefits is adjusted out in the Movement in Reserves Statement. The Balance Sheet shows that the Board has a net pension liability of £4.476m as at 31 March 2019 (31 March 2018 £3.878m). The main assumption to determine the liabilities is the discount rate which is set by the value of high quality corporate bond yields. A higher discount rate leads to a lower value being placed on scheme liabilities. An increase in yield values has meant that the discount rate at 31 March 2019 was 2.4%, compared to 2.6% at 31 March 2018, resulting in an increase in the value of pension liabilities.

Going Concern

The accrual of pension liabilities has a significant impact on the Balance Sheet at 31 March 2019 which shows an excess of liabilities over assets of £3.626m (£3.137m at 31 March 2018). The North East Scotland Pension Fund is required to carry out actuarial valuations every three years. Future actuarial valuations of the North East Scotland Pension Fund will

MANAGEMENT COMMENTARY (continued)

consider the appropriate employee/employer's rate to meet the commitments of the Fund and the constituent authorities of the Board are required to fund the liabilities of the Board as they fall due. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these Annual Accounts.

Councillor Graham Leadbitter
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor and Electoral Registrations Officer

Lorraine Paisey CA
Treasurer

23 August 2019

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

The Board's Responsibilities

The Board is required to: -

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In the Valuation Joint Board, that officer is the Treasurer to the Board.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 23 August 2019.

Signed on behalf of the Grampian Valuation Joint Board

Councillor Leadbitter
Convener

23 August 2019

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS (continued)

The Treasurer's Responsibilities

The Treasurer to the Board is responsible for the preparation of the Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Accounting Code).

In preparing these annual accounts, the Treasurer has: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the local authority Accounting Code (in so far as it is compatible with legislation);
- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2019.

Lorraine Paisey CA
Treasurer

23 August 2019

ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

The Board was established in terms of The Valuation Joint Boards (Scotland) Order 1995 and is the valuation authority for Aberdeen City Council, Aberdeenshire Council and Moray Council. The Board is responsible for the provision of valuation assessment services for local taxation purposes. Through an agreement to share services, the Board also provides electoral registration services for the same three constituent authorities.

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Board is considered to be a local authority in terms of the Local Government etc. (Scotland) Act 1994 and has a duty to deliver continuous improvement as set out in the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Board is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its valuation and registration functions. This includes arrangements for the management of risk.

Responsibility for delivery - members and officers

In terms of the above Order, the Board membership comprises 6 members appointed by Aberdeen City Council, 6 members appointed by Aberdeenshire Council and 3 members appointed by Moray Council.

To fulfil its operational role, the Board is responsible for the appointment of an Assessor, and deposes as appropriate, in terms of section 27 of the Local Government etc. (Scotland) Act 1994. In practice the Assessor and deposes manage the provision of valuation assessment and electoral registration services on a day to day basis, with the Board providing resources, a governance framework and a monitoring regime for financial and operational performance.

The Assessor is also appointed as the Electoral Registration Officer (ERO) for the Board's three constituent authorities. This too is a statutory position with the ERO and deposes appointed in terms of section 8 of the Representation of the People Act 1983.

The Board has approved and adopted a local code of corporate governance that is reviewed annually and is available at www.grampian-vjb.gov.uk

The purpose of the governance framework

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled and the activities used to engage with the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective valuation assessment and registration services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the statutory requirements of the Assessor and ERO are met and policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

ANNUAL GOVERNANCE STATEMENT (continued)

The governance framework

The key elements of the systems and processes that comprise the Board's governance arrangements are described in terms of the seven principles of good governance defined in the framework and summarised as follows:

Governance Principle 1 - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Board's updated Code of Conduct provides a clear standard in terms of conduct and behaviour, as does the Board's personnel related policies that deal with mainstreaming equalities into the fabric of the organisation, dignity of the individual, whistleblowing, special leave and personal development. These policies go beyond behavioural matters and reflect the positive approach to workforce development to the extent that career development schemes are in place across all three service strands: non-domestic property valuation assessment, domestic property valuation assessment and electoral registration. As such, career pathways are available to almost all staff.

In order to avoid duplication the Board relies on the registers of interests and gifts maintained by the relevant constituent authorities for elected members. A Register of Gifts is maintained for the organisation's officials and a Register of Interests for Senior Officials is being implemented. The Assessor and ERO and deputies are bound by the policies of the Board and also must adhere to the professional standards regime set by the RICS.

Issues relating to actions taken or not taken by officials can be addressed internally through the Complaints Handling Procedure. This is the third year of operation of the more open and accessible reporting procedure. This procedure has enabled the organisation to improve service delivery by taking account of stakeholder feedback that in previous years had not been effectively captured or recorded.

The ERO maintained his commitment to combating fraud during the year by assisting with the National Fraud Initiative. The Assessor and ERO also works closely with Police Scotland, has participated in their resilience focussed sessions and provides pre-election briefings. If necessary, suspected fraudulent registration or absent vote applications are referred to the Police Scotland single point of contact.

Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.

The Board's decision-making processes are well established with decisions concerning finance, performance and governance being taken by the Board. Standing orders and regulations govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process.

At an operational level, stakeholder involvement falls within the domain of the Assessor and ERO. The engagement work around the roll-out of the 2017 revaluation has continued although as the appeal workload arising from the 2017 Revaluation gets underway, attention has shifted to the opportunities and challenges of the government's NDR reform agenda. The Assessor and ERO's engagement strategy in terms of maintaining a high level of accessibility and visibility in the public domain continued with detailed presentations being given to the professional bodies such as the Institute of Revenues, Rating and Valuation and participation in business community meetings attended by industry and political leaders.

ANNUAL GOVERNANCE STATEMENT (continued)

On a wider footing, the Assessor and ERO, as President of the Scottish Assessors' Association, has consolidated the new national consultative framework for stakeholders at a national level that comprises bodies such as the Scottish Ratepayers Forum and Scottish Rating Surveyors Forum. Elements of the national framework have been replicated at a local (Grampian) level and have been active in 2018/19.

The Board's performance management framework is reviewed regularly to drive continuous improvement and ensure effective monitoring of progress and outcomes against stated objectives. Reporting arrangements include regular updates to the Board, the Electoral Commission, the Electoral Management Board, the Scottish Government, and online publication of annual performance reports.

Protocols are in place to meet requests made under the Freedom of Information Act and Assessors through the Scottish Assessors' Association have established procedures to improve the response standards where common requests for information are made.

Governance Principle 3 – defining outcomes in terms of sustainable economic, social and environmental benefits.

The Board, being focussed around delivery of specialised valuation and registration services, has a limited role to play in the wider community planning aspects anticipated by the governance framework set out by CIPFA/SOLACE. The Board is therefore conscious of the need to ensure that its mode of operation and the delivery of the valuation and registration services reflect the responsibilities towards the communities in Grampian in terms of devolved service delivery models that support the sustainability of communities across the whole region and minimise natural resource demands. In terms of the two specialised services the Board delivers, they are foundation stones to local government and democracy at local, national and international levels, as they provide the means to raise local taxation and to conduct elections/referendums.

Operational outcomes for these services are essentially driven by statute and it is pertinent to this governance principle that moves are underway to improve the sustainability and economic and social benefits through reform to local taxation and electoral registration.

Local taxation has continued to be the subject of intense scrutiny during the last year and the Assessor and ERO, as a member of the government's Barclay Implementation Advisory Group, has continued to work with other stakeholders to ensure that Scotland has a more sustainable and effective system for NDR. The Group reported in March 2019³ but work in relation to the NDR (Scotland) Bill and the future shape of the appeal process continues into 2019/20.

The electoral registration regime has undergone a period of intense change following the introduction of individual electoral registration in 2014 and enfranchisement of 16 and 17 year olds in 2016. The Scottish and UK governments are both seeking to introduce common canvass reforms that will seek to improve the efficiency and effectiveness of the annual canvass. The Scottish Government is also carrying out a broader reform of electoral matters that includes a potentially wider franchise. The Assessor and ERO is actively engaged in both reform processes as a member of the Electoral Management Board for Scotland.

³ <https://www.gov.scot/publications/barclay-implementation-advisory-group-final-report/pages/2/>

ANNUAL GOVERNANCE STATEMENT (continued)

The Assessor and ERO is President of the Scottish Assessors Association (SAA) and through this non-statutory voluntary association, the 14 Assessors and 2 independent EROs⁴ that provide valuation assessment and registration services across the 32 local authority areas in Scotland share expertise and resources through this association to deliver unified and modern assessment and registration services.

Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.

As a specialised outcome-orientated organisation, our activities of producing, maintaining and defending valuation rolls, lists and electoral registers essentially drive the organisation's agenda. The Board and the Assessor and ERO recognise the financial challenges they face and through established reporting arrangements ensure that Board members have full detail of resource inputs and performance outputs. Regular and detailed financial reports are made to the Board and the outcomes for the organisation that are essentially driven by statute, are monitored in terms of performance.

The Management Team focus on these outcomes and work closely to innovate and optimise them.

Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.

Roles of elected members and officers are clearly defined and constructive working relationships are achieved to ensure clear relationships between the Board, the Assessor and ERO, corporate stakeholders and the public. The Board adopted a scheme of delegation last year and the Assessor and ERO has an ongoing commitment of engagement with board members to ensure that both the Board and the Assessor have not only a knowledge of the respective positions but also an understanding and appreciation of what lies behind the outcomes that the organisation delivers.

Standing orders regulate the form and content of board meetings and the Board's financial regulations provide a framework for financial decisions. Performance reports are made at each board meeting and the Board's key performance indicators are subject to regular periodic review.

As part of its commitment to lifelong learning, the Board uses the IRRV Scottish conference as a cost-effective source of professional training for both members and officials. To foster a personal development culture and seek to retain personnel the organisation operates an internal recruitment procedure that encourages personal development and ultimately improves leadership capacity.

New employees receive induction training on arrival and in the vast majority of cases are able to participate in a career grade development scheme that seeks to promote personal and professional development. Surveyors, who are members of the RICS, are subject to additional compulsory continuing professional development training that is monitored by the RICS.

⁴ Dundee and Fife opted to provide registration services independently and contribute to the SAA Electoral Registration Committee.

ANNUAL GOVERNANCE STATEMENT (continued)

The organisation's training officer is responsible for monitoring training provision and recording progress. The training officer is also responsible for identifying appropriate training opportunities and the distribution of training opportunities is reported in public performance reports / equalities mainstreaming reports.

Functions and roles of statutory posts including the Clerk, Treasurer and Assessor and ERO are clearly defined and the postholders work closely together to achieve the objectives of the organisation.

Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.

The Board's decision-making process is well established with governance, finance and performance issues being reported at board meetings that take place in public (unless exempt under statutory provision) and the board reports are published online and made available to the media. Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process. Scrutiny is secured through internal and external audit.

Decisions of the Assessor and ERO are subject to public scrutiny, scrutiny via an appeal and complaint process to the respective judicial bodies and external stakeholders that monitor performance such as the Electoral Commission and the Electoral Management Board for Scotland. In addition the SAA website provides practice notes that provide details on how rateable values are determined and allows individual taxpayers to look up the assessment of every non-domestic and domestic property in Scotland.

The compliance and monitoring regimes for public bodies in particular has increased in complexity during the last year and the Board & Assessor and ERO has updated its model publication scheme, reported on records management procedures to the Keeper of Records and continues to make quarterly returns to the Information Commissioner.

Risk management is a fundamental part of the organisation's decision making process and as such is a standing item on the Assessor and ERO's management team quarterly agenda, with the Board reviewing the risk register on an annual basis.

To mitigate against and control risk, the Board's system of internal control is based on a framework of financial regulations that were revised and updated periodically and supplemented by regular management information, administrative procedures, management supervision and a code of corporate governance. Establishing and maintaining an effective system of internal control is a management function. The Board, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

Policies to combat fraud, theft, bribery and corruption are in place, not only in order to protect public finance, but also to ensure the veracity of the statutory rolls, lists and registers that the Assessor and ERO is required to provide. The Assessor and ERO works closely with Police Scotland at a local and national level and through the requirement to work with the Government Digital Service our IT facilities must meet and maintain Public Service Network accreditation. During the last year we have also secured the UK Government's Cyber Essentials Plus accreditation.⁵

⁵ <https://www.cyberessentials.ncsc.gov.uk/>

ANNUAL GOVERNANCE STATEMENT (continued)

A performance management system is in place which calls for reporting of established performance measures to the Board at quarterly intervals throughout the year. An annual Public Performance Report is also published

Strong financial management procedures are secured through the work of the Treasurer appointed in terms of s.95 of the Local Government (Scotland) Act 1973. This officer provides advice to the Board and Assessor and ERO on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

Governance Principle 7 – implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Board business is conducted through an established cycle of quarterly meetings held in public (unless exempt under statutory provision) in both Aberdeen and Elgin. Meeting dates are published in advance. Reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations. Minutes of meetings are prepared and are published on the Board's website.

Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through to media releases and presentations which may be focussed on specific groups of service users. The organisation's website is frequently updated with news items to ensure that the Grampian community is kept up to date.

Assurance and accountability oversight is a key role for the Board which comprises members of a variety of political backgrounds. The Board receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by the officials of the Board.

Review of effectiveness of governance arrangements

The review of effectiveness of the governance framework including the system of internal control is pursued throughout the year by various means involving:

- **The Board**

In practice, governance arrangements are monitored over the year with board meetings taking place four times during each year. Every time the Board meets, it considers reports on financial and operational performance. It also considers annual public performance and audit reports along with reports on governance.

- **The Management Team**

The management team which has overall responsibility for good governance arrangements, comprises the Assessor and ERO, two deputies, four assistant assessors and the principal admin officer. The management team is scheduled to meet on a quarterly basis and considers corporate issues such as finance, personnel, performance and risk management along with an overview of service related issues that are handled by two service orientated groups – the technical and administration groups.

ANNUAL GOVERNANCE STATEMENT (continued)

- **The Technical and Administration groups**

These two groups also normally meet quarterly and focus on specialised service related planning and delivery. These groups foster co-operative working across the Aberdeen, Banff and Elgin offices of the organisation and also benefit from input from the Scottish Assessors Association representatives. They provide technical solutions to valuation assessment and electoral registration issues. Membership includes the management team and team leaders, with input from other members of staff too, that seeks to capture the widest range of expertise and experience and also provide an inclusive insight into the decision making process to all members of the organisation.

- **The Assessor and ERO**

The Assessor and ERO has the statutory responsibility for the valuation rolls, valuation lists and electoral registers. The Assessor is essentially the chief executive for the organisation and has a wide range of financial, personnel, governance and reporting responsibilities.

- **The Treasurer**

The Treasurer has statutory responsibility for the Board's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This officer provides relevant financial advice and support to the Assessor and ERO and elected members at meetings of the board and otherwise as required. The Board's financial management arrangements generally conform to the governance requirements of the CIPFA statement on the role of the chief financial officer, and whilst the Treasurer is not a member of the management team, she is actively involved in, and is able to influence, decision-making processes.

The Treasurer is responsible for ensuring that an effective system of internal financial control is maintained. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. The system includes comprehensive budget setting and monitoring arrangements and the preparation of regular financial reports indicating actual expenditure against forecasts that are reported at each board meeting.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Internal Audit**

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Board on the control environment comprising risk management, internal control, and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Manager is accountable on a day-to-day basis to the Treasurer and to the Board. Internal Audit operates in accordance with Public Sector Internal Audit Standards and in line with the requirements of the Standards was subject to external inspection during the year. The results of the inspection are provided within the internal audit annual report. A number of areas of good practice were identified and the review concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and an action plan has been developed to be taken forward for implementation during 2019/20.

Internal audit and the subsequent report by the external auditors in their annual audit letter and in other reports, informs the effectiveness of the financial control environment as an element of the Board's governance arrangements. No fundamental control weaknesses were reported during the period covered by this statement. It is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Board's internal financial control systems in place for the year ended 31 March 2019.

- **External Agencies**

In addition to the various internal review processes and the financial audit referred to above, there are a number of bodies that the organisation is required to report to/submit governance arrangement for approval. The Information Commissioner collects data on responses to requests for information and will intervene where it considers enforcement action is required. The Keeper of Records reviews and approves records management arrangements.

The way the organisation delivers its valuation and registration services is also subject to scrutiny by external agencies, with the valuation assessment aspect reported to the Scottish Government and subject to a case by case scrutiny on appeal; and the Electoral Commission and Electoral Management Board reviewing and reporting on the performance of the ERO.

Ultimately this organisation has possibly one of the largest service communities in the Grampian area providing registration services to 440,000 citizens, and property valuation assessments for 313,000 properties. Such a wide and comprehensive reach throughout the Grampian region also provides a barometer for the success or otherwise of the organisation's service delivery.

- **Conclusion**

An assessment of the internal mechanisms for reviewing the effectiveness of our governance arrangements is that they work well; the organisation is relatively small and benefits from short lines of communication at informal and formal levels. This means that the Board, Management Team, the Technical & Administration Groups and Internal Audit all have direct access to the Assessor & ERO and Treasurer (where appropriate), who both

ANNUAL GOVERNANCE STATEMENT (continued)

take an active and direct role in ensuring the good governance of the organisation. The evidence to support this assessment lies in the response profile to the organisation in terms of feedback from employees, Board members, elected members of constituent authorities, members of parliaments, our external monitoring bodies and ultimately the businesses, public & private bodies that make up the extremely large service community. Ineffective governance arrangements would be signposted through negative feedback from these internal and external individuals and bodies. Communications at all levels and ultimately complaints monitoring that is reported to the Board do not provide any indication that the existing governance arrangements are ineffective.

Significant governance issues

Securing good governance has been and remains of prime importance to elected members and senior officials of the board; a considerable task at a time when budgets are under pressure, and major changes such as NDR reform are being contemplated.

In the governance statement for 2017/18, key challenges identified by the service related to

- Responding to the government's NDR reform plans that include a 3 year revaluation cycle from 2022.
- Implementing the General Data Protection Regulation (GDPR) requirements.
- Continuing to work towards an efficient system of individual electoral registration (IER).
- Managing the resourcing required to defend challenges to the revaluation roll that came into force from 1 April 2017.
- Implementing effective customer consultation arrangements.

An update on progress made in addressing these challenges during 2018/19 is set out below.

- **Response to the NDR reform plans**
As a member of the Barclay Implementation Advisory Group, the Assessor and ERO has been closely involved in detailed consideration of the implications and challenges of the NDR reforms. In his capacity of President of the SAA, he has led discussions with COSLA and the Scottish Government to secure additional funding for implementation of NDR reforms both locally and nationally. Work has also been initiated locally in terms of workforce planning for the additional workload of delivering revaluations on a three-year cycle. This includes the necessity to increase the organisation's pool of rating valuation expertise and moves to free-up existing resources in terms of the roll-out of alternative and more efficient data capture measures whilst seeking to maintain high standards of assessment accuracy.
- **Implementation of GDPR requirements**
The appointment of a Data Protection Officer and roll-out of the related data protection policy, privacy notices and training mean that the organisation is meeting its data protection responsibilities.

ANNUAL GOVERNANCE STATEMENT (continued)

- **Working towards an efficient system for IER**
Both NDR and ER reform now have a higher profile and impetus than that of 12 months. Electoral registration is subject to major changes in the form of canvass reform and as part of the preparation for roll-out of these changes the organisation has replaced its own electoral registration IT system during the last year.
- **Resourcing appeal resolution following the 2017 Revaluation**
The unique circumstances of the North East economy have given rise to an above average volume of appeals and resourcing the appeal resolution process in terms of funding and expertise is absolutely critical to ensure that all appeals are resolved by the local valuation appeal committees by the statutory deadline of 31 December 2020. The organisation's management and highly skilled valuers and negotiators have worked tirelessly to facilitate the local committees to achieve this outcome and all parties are extremely conscious of the desire of stakeholders in terms of ratepayers and indeed the government as the ultimate holder of the public purse to ensure that appeals are resolved as quickly as possible.
- **Customer consultation**
The devotion of resources to operational service delivery during a period of extremely intense demand has led to progress on widening our existing customer consultation framework being slower than originally planned.

The key challenges for 2019/20 are

- Upgrade our operational capacity in terms of workforce, processes and IT systems to meet the challenges of moving to a 3 year revaluation cycle for Revaluation 2022.
- Maintain the drive to improve and streamline our governance arrangements progress equalities mainstreaming and performance monitoring and widen our existing customer consultation framework.
- Optimise the new electoral registration system to capitalise upon information sources.
- Continue to manage the resourcing required to ensure that this organisation presents no barriers to Revaluation 2017 appeal resolution.
- Manage the organisation's resources to ensure that all existing business as usual statutory commitments are met.

ANNUAL GOVERNANCE STATEMENT (continued)

Concluding Remarks

In our respective roles as Convener of the Board and Assessor and ERO, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises current governance arrangements, provides evidence of progress and affirms our commitment to ensuring that the Board's governance framework is responsive to the dynamic and challenging environment in which we serve.

Councillor Graham Leadbitter
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor & Electoral Registration Officer

23 August 2019

REMUNERATION REPORT

This report has been written to provide details of the Grampian Valuation Joint Board's remuneration arrangements for its senior councillors and senior employees. This is required under the Local Authority Accounts (Scotland) Amendment Regulations 2014.

All information disclosed in the tables 1 to 6 in this Remuneration Report is audited by the external auditors Audit Scotland. The other sections of the Remuneration Report are reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration of Councillors, Senior Councillors, Convener and Depute Convener

The remuneration of councillors is regulated by The Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2018. These regulations set out the amounts a councillor may be paid for being a Convener or Depute Convener of a Joint Board. This is inclusive of any amounts payable to them as either a councillor or senior councillor of their own Local Authority.

The Board consists of 15 members comprising 6 from Aberdeen City Council, 6 from Aberdeenshire Council and 3 from Moray Council. The local authority of which the Convener or Depute Convener is a member pays the remuneration appropriate to the member's work with the Joint Board. Conveners receive a remuneration which when added to their existing remuneration as a Councillor/Senior Councillor equals 75 percent of the Leader of a "Band A" council, i.e. £21,245 per annum. The Depute Convener's remuneration is calculated on the basis of the basic salary plus 75 percent of the difference between the basic salary and the Convener's salary, i.e. £20,183 per annum. These rates are effective for the year ending 31 March 2019.

The Board has an arrangement with each Council which remunerates the Convener and Depute Convener/s to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Depute Convener of the Board.

Councillor Leadbitter is Convener of the Grampian Valuation Joint Board. He received an allowance as Joint Leader of his party and the Board paid a Special Responsibility Allowance to him as the Convener of the Board up to 12 June 2018. On becoming Leader of Moray Council on 13 June 2018, he received a Special Responsibility Allowance from Moray Council. This allowance is paid for in full by Moray Council and will be included in their remuneration report. Consequently no additional award is due for undertaking duties for the Valuation Board.

Councillor Cormie has been Depute Convener of the Board from 30 June 2017. The Board pays a Special Responsibility Allowance to the Depute Convener of the Board. Details of his salary are included in the remuneration report for Aberdeen City Council.

All other Councillors' expenses are paid directly by the authority that they serve and will also be included in the individual authority's remuneration report.

Remuneration of Senior Councillors, Convener and Depute Convener (Table 1)

| Councillor Name and Responsibility | Salary, fees and allowances | Total Remuneration 2018/19 | Total Remuneration 2017/18 |
|---|-----------------------------|---|---|
| | £ | £ | £ |
| Councillor Shepherd Convener to 4/5/17 | - | - | 398 (Full year equivalent £4,233) |
| Councillor Leadbitter Convener | 425 | 425 (Full year equivalent £2,125) | 1,593 (Full year equivalent £2,117) |
| Councillor Cormie Depute Convener | 3,109 | 3,109 | 2,392 (Full year equivalent £3,176) |
| Total | 3,534 | 3,534 | 4,383 |

No taxable expenses were paid in 2017/18 or 2018/19.

Remuneration of Councillors (Table 2)

Grampian Valuation Joint Board paid the following salaries, allowances and expenses for all councillors (including senior councillors) during the year. It includes expenses met directly by the Board and expenses reimbursed to Councillors.

| Type of Remuneration | 2018/19 | 2017/18 |
|----------------------|--------------|--------------|
| | £ | £ |
| Salaries | 3,534 | 4,382 |
| Expenses | 557 | 1,064 |
| TOTAL | 4,091 | 5,446 |

Remuneration of Senior Employees

The Local Authority Accounts (Scotland) Amendment Regulations 2014 require remuneration information to be disclosed for senior employees as defined below:

- i. A person who has responsibility for the management of a local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.
- ii. A person who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989.
- iii. A person whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

These regulations apply equally to Joint Boards and remuneration disclosure is therefore required for the Assessor and Electoral Registration Officer (ERO) and two Depute Assessor and Depute Electoral Registration Officers who are deemed to be senior employees for the Grampian Valuation Joint Board. Details are shown on Table 3 below.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) sets the terms and conditions and pay bandings for senior employees but remuneration levels and payscales are set locally and were last agreed by the Board on 23 January 2004.

Remuneration of Senior Employees of the Board (Table 3)

| Name and Post Title | Salary, fees and allowances | Taxable Expenses | Total Remuneration 2018/19 | Total Remuneration 2017/18 |
|------------------------------------|------------------------------------|-------------------------|-----------------------------------|-----------------------------------|
| | £ | £ | £ | £ |
| Ian Milton Assessor & ERO | 108,648 | 694 | 109,342 | 107,503 |
| Gavin Oag Depute Assessor & ERO | 85,078 | 639 | 85,717 | 84,152 |
| Mark Adam Depute Assessor & ERO | 77,001 | 593 | 77,594 | 75,206 |
| TOTAL | 270,727 | 1,926 | 272,653 | 266,861 |

The Treasurer and the Clerk to the Board do not receive remuneration from the Valuation Joint Board. The duties of the posts are covered by the post holders' substantive posts in Moray Council. Details of their salaries are included in the remuneration report for Moray Council.

Pension Benefits

Pension benefits for Councillors and Local Government employees are provided through the North East Scotland Pension Fund, a Local Government Pension Scheme.

Councillors' pension benefits are based on career average pay. For benefits earned up to 31 March 2019, the councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day in the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the year of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

The Board pay a contribution to the Pension Fund for the Convener and Depute Convener's pensions if they are members of the scheme and this is based on a percentage of the cost of the Special Responsibility Allowance. Details are shown on Table 4 below.

For local government employees, up until 31 March 2015 pension benefits accrued are based on final salary. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. Benefits earned from 1 April 2015 are based on 'career average'. The scheme's normal retirement age for both councillors and employees is 65 for benefits up to 31 March 2015 and the State Pension Age for benefits built up after 1 April 2015.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The member contribution rates for 2018/19 are the same as for 2017/18; however the earning bands have changed as shown in the table below.

| Whole time earnings (2017/18 in brackets) | Contribution rate 2018/19 | Contribution rate 2017/18 |
|---|----------------------------------|----------------------------------|
| On earnings up to and including £21,300 (£20,700) | 5.50% | 5.50% |
| On earnings above £21,300 and up to £26,100 (£20,700 and up to £25,300) | 7.25% | 7.25% |
| On earnings above £26,100 and up to £35,700 (£25,300 and up to £34,700) | 8.50% | 8.50% |
| On earnings above £35,700 and up to £47,600 (£34,700 and up to £46,300) | 9.50% | 9.50% |
| On earnings above £47,600 (£46,300) | 12.00% | 12.00% |

If a person works part-time, their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

Pension Benefits (continued)

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) some pension for a lump sum up to the limit set by the Finance Act 2004. Up until 31 March 2015, the accrual rate guarantees a pension based on 1/60th of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of the final pensionable salary and years of pensionable service). From 1 April 2015, the accrual rate guarantees a pension of 1/49th of pensionable pay for each year. At the end of each year the benefits are revalued and increased by inflation.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

Senior Councillors (Table 4)

| | For the year to 31 March 2019 | For the year to 31 March 2018 |
|-----------------|--|--|
| | £ | £ |
| Cllr Leadbitter | 82 (Full year equivalent £410) | 308 (Full year equivalent £408) |
| Cllr Cormie | 600 | 462 (Full year equivalent £613) |
| Total | 682 (Full year equivalent £1,010) | 770 (Full year equivalent £1,021) |

The above amounts show the in-year contributions relating to the Special Responsibility Allowance shown in Table 1. The total pension benefits relating to Councillor Leadbitter are detailed in the remuneration report of Moray Council and those relating to Councillor Cormie are detailed in the remuneration report of Aberdeen City Council.

Senior Employees (Table 5)

The pension entitlements of Senior Employees for the year to 31 March are shown in the table below, together with the contribution made by the Board to each Senior Employees' pension during the year.

| | In-year pension contributions | | | Accrued pension benefits | |
|------------------------------------|-------------------------------|-------------------------------|----------|--------------------------|----------------------------|
| | For the year to 31 March 2019 | For the year to 31 March 2018 | | As at 31 March 2019 | Difference from March 2018 |
| | £ | £ | | £ | £ |
| Ian Milton Assessor and ERO | 20,942 | 20,633 | Pension | 53,511 | 3,083 |
| | | | Lump Sum | 100,543 | 1,483 |
| Gavin Oag Depute Assessor & ERO | 16,393 | 16,084 | Pension | 36,094 | 2,446 |
| | | | Lump Sum | 61,390 | 1,157 |
| Mark Adam Depute Assessor & ERO | 14,834 | 14,332 | Pension | 36,551 | 2,738 |
| | | | Lump Sum | 67,444 | 2,281 |
| Total | 52,169 | 51,049 | | 355,533 | 13,188 |

All senior employees shown in the tables above are members of the North East Scotland Pension Fund. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

General Disclosure by Pay Band

The Regulations require information to be provided for the number of persons whose remuneration is £50,000 or more. This information is disclosed in bands of £5,000 and is shown overleaf.

General Disclosure by Pay Band (Table 6)

The Table includes the remuneration of the senior employees detailed in Table 3.

| Remuneration Band | Number of Employees | |
|---------------------|-----------------------|----------------------|
| | 2018-19 | 2017-18 |
| £50,000 - £54,999 | 6 | 2 |
| £55,000 - £59,999 | 3 | 2 |
| £75,000 - £79,999 | 1 | 1 |
| £80,000 - £84,999 | - | 1 |
| £85,000 - £89,999 | 1 | - |
| £105,000 - £109,999 | 1 | 1 |
| | <hr/> 12 <hr/> | <hr/> 7 <hr/> |

Councillor Graham Leadbitter
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor & Electoral Registration Officer

23 August 2019

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This differs from the expenditure to be funded from the requisitions raised by the Board from the three constituent Local Authorities in accordance with statute. The effect on the General Fund is shown in the Movement in Reserves Statement and Note 7 Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations.

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MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

This Statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (those that can be applied to fund expenditure) and unusable reserves. The Statement shows how the movements in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable against requisitions for the year. The Increase or Decrease line shows the statutory General Fund movements in the year.

| | General Fund £000 | Capital Fund £000 | Total Usable Reserves £000 | Unusable Reserves (Note 16) £000 | Total Board Reserves £000 |
|--|-------------------------|-------------------------|-------------------------------------|---|------------------------------------|
| Balance at 31 March 2017 | 209 | 73 | 282 | (6,081) | (5,799) |
| Total Comprehensive Income and Expenditure | (575) | - | (575) | 3,237 | 2,662 |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 519 | (18) | 501 | (501) | - |
| Increase / (Decrease) in Year | (56) | (18) | (74) | 2,736 | 2,662 |
| Balance at 31 March 2018 | 153 | 55 | 208 | (3,345) | (3,137) |
| Balance at 31 March 2018 | 153 | 55 | 208 | (3,345) | (3,137) |
| Total Comprehensive Income and Expenditure | (332) | - | (332) | (157) | (489) |
| Adjustments between accounting basis & funding basis under regulations (Note 7) | 394 | (55) | 339 | (339) | - |
| Increase / (Decrease) in Year | 62 | (55) | 7 | (496) | (489) |
| Balance at 31 March 2019 | 215 | - | 215 | (3,841) | (3,626) |

BALANCE SHEET AS AT 31 MARCH 2019

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board.

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|----|-----------------------|
| 643 Property, Plant & Equipment | 10 | 753 |
| 643 Long Term Assets | | 753 |
| 66 Short Term Debtors | 11 | 42 |
| 448 Cash and Cash Equivalents | 12 | 613 |
| 514 Current Assets | | 655 |
| (416) Short Term Creditors | 13 | (558) |
| (416) Current Liabilities | | (558) |
| (3,878) Other Long Term Liabilities | 22 | (4,476) |
| (3,878) Long Term Liabilities | | (4,476) |
| (3,137) Net Liabilities | | (3,626) |
| Usable reserves | 15 | |
| 153 General Fund | | 215 |
| 55 Capital Fund | | - |
| 208 Total | | 215 |
| Unusable Reserves | 16 | |
| 218 Revaluation Reserve | | 262 |
| 425 Capital Adjustment Account | | 490 |
| (3,878) Pensions Reserve | | (4,476) |
| (110) Employee Statutory Adjustment Account | | (117) |
| (3,345) Total | | (3,841) |
| (3,137) Total Reserves | | (3,626) |

The notes on Pages 37 to 65 form part of the Financial Statements.

Lorraine Paisey CA
Treasurer

23 August 2019

The unaudited Annual Accounts were issued on 31 May 2019 and the audited Annual Accounts were authorised for issue on 23 August 2019.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

The Cash Flow statement shows the changes in cash and cash equivalents of the Board during the financial year. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of requisition and grant income or from the recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery, i.e. assets.

| 31 March 2018 | | 31 March 2019 |
|----------------------|--|----------------------|
| £000 | | £000 |
| 575 | Net deficit on the provision of services | 332 |
| (269) | Adjust net deficit on the provision of services for non cash movements (Note 18) | (560) |
| <hr/> | | <hr/> |
| 306 | Net cash flows from Operating Activities | (228) |
| <hr/> | | <hr/> |
| - | Net Cash flows from Investing Activities | 63 |
| <hr/> | | <hr/> |
| 306 | Net (increase)/decrease in cash and cash equivalents | (165) |
| <hr/> | | <hr/> |
| 754 | Cash and cash equivalents at the beginning of the financial year | 448 |
| <hr/> | | <hr/> |
| 448 | Cash and cash equivalents at the end of the financial year | 613 |
| <hr/> | | <hr/> |

NOTES TO THE ACCOUNTS

Note 1 Accounting Policies

1 General Principles

The Annual Accounts summarise the Board's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The principal accounting policies have been applied consistently throughout the year. The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of property, plant and equipment.

2 Accruals of Income and Expenditure

Income and expenditure are accounted for in the year in which they take place, not simply when cash payments are made or received. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 Charges to Revenue for Non-Current Assets

The service is charged with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

4 Requisitions and Contributions

Requisitions and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Board has not satisfied.

5 Cash and Cash Equivalents

The Board uses Moray Council's bank account for financial transactions and the balance is invested in the Council's Loans Fund. This balance is repayable on demand and therefore treated as a cash equivalent and is included in the Balance Sheet at amortised cost, which equates to the actual cash value at 31 March 2019.

Note 1 (continued)

6 Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Board. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

7 Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement at the earlier of when the Board can no longer withdraw the offer of those benefits or when the Board recognises costs for a restructuring.

8 Going Concern

The Pension Fund overall liability demonstrates the Board's commitment to pay retirement benefits in the long term. As a consequence there is a significant impact on the net worth of the Board as recorded on the Balance Sheet, which shows a net liability. Statutory arrangements for the funding of the deficit mean that the financial position of the Board remains assured. On the basis of this funding arrangement, the Board considers it appropriate that the Annual Accounts should follow the going concern basis of accounting.

9 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

10 Value Added Tax

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of debtors or creditors.

11 Reserves

The Board sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against requisitions for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Board.

Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code requires the Board to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts.

New or amended standards within the 2019/20 Code relate to:

- Amendments to IAS40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle. The amendments that may apply to local authorities include:
 - IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard
 - IAS28 Investments in Associates and Joint Ventures: Measuring an Associate of Joint Venture at Fair Value
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS9 Financial Instruments: Prepayment features with Negative Compensation

The Code requires implementation from 1 April 2019 and there is, therefore, no impact on the 2018/19 Financial Statements. The above amendments are not anticipated to have a material impact on the information provided in the Financial Statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Treasurer has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government and hence to funding for the Board. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Board's Balance Sheet at 31 March 2019 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Note 4 (continued)

| Item | Uncertainties | Effect if Actual Results Differ From Assumptions |
|-------------------|--|---|
| Pension Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £0.626m. |

Note 5 Material Items of Income and Expenditure

Where material items of income and expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. The following items are regarded as material:

| | 2017/18 | 2018/19 |
|---|-------------|-------------|
| Nature | £000 | £000 |
| Grant income from the UK Government for Individual Electoral Registration (IER) | 177 | 160 |

The grant received for Individual Electoral Registration (IER) is intended to fund the additional costs incurred by the Board.

Note 6 Events After The Reporting Period

The unaudited Annual Accounts were issued on 31 May 2019 and the audited Annual Accounts were authorised for issue on 23 August 2019 by Lorraine Paisey, Treasurer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (requisitions and government grants) by the Board in comparison with those resources consumed by the Board in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making.

Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 31 March 2018 | | | 31 March 2019 | | |
|--|--|---|--|--|---|
| Net Expenditure chargeable to General Fund £000 | Adjustments between Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 | Net Expenditure chargeable to General Fund £000 | Adjustments between Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
| 4,097 | 358 | 4,455 | 4,098 | 301 | 4,399 |
| | | Rating and CT valuation & Electoral Registration | | | |
| 4,097 | 358 | 4,455 | 4,098 | 301 | 4,399 |
| | | Net Cost of Services | | | |
| (4,041) | 161 | (3,880) | (4,160) | 93 | (4,067) |
| | | Other Income and Expenditure | | | |
| 56 | 519 | 575 | (62) | 394 | 332 |
| | | (Surplus) or Deficit | | | |
| (209) | | Opening Balance | (153) | | |
| 56 | | (Surplus) or Deficit | (62) | | |
| (153) | | Closing Balance | (215) | | |

Note 7 (continued)

Adjustments between the Funding and Accounting Basis

| | 2017/18 | | | |
|--|---|---|---------------------------------------|---------------------------------------|
| | Adjustment for Capital Purposes £000 | Net Change for Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| Rating and CT valuation & Electoral Registration | 24 | 329 | 5 | 358 |
| Net Cost of Services | 24 | 329 | 5 | 358 |
| Other Income and Expenditure | - | 161 | - | 161 |
| Difference between the General Fund Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit | 24 | 490 | 5 | 519 |

| | 2018/19 | | | |
|--|---|---|---------------------------------------|---------------------------------------|
| | Adjustment for Capital Purposes £000 | Net Change for Pensions Adjustments £000 | Other Differences £000 | Total Adjustments £000 |
| Rating and CT valuation & Electoral Registration | (5) | 299 | 7 | 301 |
| Net Cost of Services | (5) | 299 | 7 | 301 |
| Other Income and Expenditure | - | 93 | - | 93 |
| Difference between the General Fund Deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit | (5) | 392 | 7 | 394 |

Note 7 (continued)

a) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line.

b) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.

For the service this reflects the removal of the employer pension contributions made by the Board as allowed by statute and the replacement with current service costs and past service costs.

c) Other Differences

This column adjusts for differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

For the service this reconciles the impact of accruals for accumulating compensated absences e.g. holiday pay as required by IAS19 Employee Benefits, to the salaries actually payable in the financial year in accordance with statute.

Note 8 Expenditure and Income Analysed by Nature

The Board's expenditure and income is analysed as follows:

Expenditure and Income

| | 2017/18 £000 | 2018/19 £000 |
|--|---|---|
| | Rating, Council Tax Valuation and Electoral Registration | Rating, Council Tax Valuation and Electoral Registration |
| Employee benefit expenses | 3,521 | 3,512 |
| Other service expenses | 1,044 | 998 |
| Support service recharges | 56 | 58 |
| Depreciation, amortisation and impairment | 24 | 2 |
| Interest payments | 161 | 93 |
| Total Expenditure | 4,806 | 4,663 |
| Requisitions | (4,039) | (4,157) |
| Government grants and other service income | (190) | (171) |
| Interest and investment income | (2) | (3) |
| Total Income | (4,231) | (4,331) |
| (Surplus) or deficit on the provision of services | 575 | 332 |

Note 9 Financing and Investment Income and Expenditure

| | 2017/18 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Pensions interest cost and expected return on pensions assets | 161 | 93 |
| Interest receivable and similar income | (2) | (3) |
| | 159 | 90 |

Note 10 Property, Plant and Equipment

Recognition

All expenditure on the acquisition, creation, enhancement or replacement of an asset or part of an asset is capitalised, providing the asset yields benefit for more than one year to the Board and the services it provides and the cost can be reliably measured.

Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

Measurement

New assets are measured at cost. Cost includes the original purchase of the asset and the costs attributable to bringing the assets to its working condition for its intended use.

Assets are measured at current value which is Existing Use Value for Land and Buildings and Depreciated Historic Cost for Equipment and Furniture which is used as a proxy for current value.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised when an asset is disposed of or when no future economic benefits or service potential are expected from its use. The value of the asset in the Balance Sheet and any receipt is written to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The gain or loss on disposal is not a charge against Requisitions, as the cost of non current assets is fully provided for under separate arrangements for Capital Financing. The carrying amount of the non current asset disposal is transferred to the Capital Adjustment Account and the disposal proceeds transferred to the Capital Fund and reported in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all items of property, plant and equipment with a finite useful life by the systematic allocation of their depreciable amount over their useful lives. An exception is made for land where it can be demonstrated that it has an unlimited useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets. In the year of disposal, no depreciation is charged.

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land & Buildings - 35-60 years, land is not depreciated
Vehicles, Plant, Furniture & Equipment - 10 years

Note 10 (continued)

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Revaluations

The Board carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. The last revaluation of Land and Buildings was done with effect from on 1 April 2018 and the next revaluation is scheduled during 2023/24. All valuations were carried out by Moray Council's Head of Estates in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current values.

Note 10 (continued)

| | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Total Property, Plant and Equipment |
|--|-----------------------------|--|---|
| | £000 | £000 | £000 |
| Cost or valuation | | | |
| At 1 April 2017 | 696 | 210 | 906 |
| Additions | 0 | 18 | 18 |
| At 31 March 2018 | 696 | 228 | 924 |
| Accumulated Depreciation and Impairment | | | |
| At 1 April 2017 | 55 | 202 | 257 |
| Depreciation charge | 14 | 10 | 24 |
| At 31 March 2018 | 69 | 212 | 281 |
| Net Book Value | | | |
| At 1 April 2017 | 641 | 8 | 649 |
| At 31 March 2018 | 627 | 16 | 643 |
| Cost or valuation | | | |
| At 1 April 2018 | 696 | 228 | 924 |
| Additions | - | 62 | 62 |
| Revaluation increases recognised in the Revaluation Reserve | - | - | - |
| Revaluation increases recognised in the Provision of Services | - | - | - |
| At 31 March 2019 | 696 | 290 | 986 |
| Accumulated Depreciation and Impairment | | | |
| At 1 April 2018 | 69 | 212 | 281 |
| Depreciation written out to the Revaluation Reserve | (49) | - | (49) |
| Depreciation written out to the Provision of Services | (20) | - | (20) |
| Depreciation charge | 14 | 7 | 21 |
| At 31 March 2019 | 14 | 219 | 233 |
| Net Book Value | | | |
| at 31 March 2018 | 627 | 16 | 643 |
| at 31 March 2019 | 682 | 71 | 753 |

Note 11 Short Term Debtors

| | Restated 2017/18 £000 | 2018/19 £000 |
|-------------------|-----------------------------|-----------------|
| Prepayments | 31 | 31 |
| Other Receivables | 35 | 11 |
| | 66 | 42 |

Note 12 Cash and Cash Equivalents

| | 2017/18 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Temporary Investment in the Moray Council Loans Fund | 448 | 613 |

Note 13 Short Term Creditors

| | Restated 2017/18 £000 | 2018/19 £000 |
|----------------|-----------------------------|-----------------|
| Trade Payables | 301 | 59 |
| Other Payables | 115 | 499 |
| | 416 | 558 |

Note 14 Financial Instruments

Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Board and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Board.

The majority of the Board's financial liabilities held during the year are measured at amortised cost and comprised:

- Creditors for requisitions due to be returned to constituent authorities
- Trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Board that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Board. The financial assets held by the Board during the year are accounted for under the following classification:

- Amortised cost (where cash flows are solely payments of principal and interest and the business model is to collect those cash flows) comprising:
 - temporary investment in the Moray Council Loans Fund
 - trade receivables for goods and services provided

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Board.

Financial Instruments – Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

| | Short Term Creditors | |
|----------------|-----------------------------|----------------|
| | 2017/18 | 2018/19 |
| | £000 | £000 |
| Amortised Cost | 416 | 558 |

The financial assets disclosed in the Balance Sheet are analysed across the following categories:

| | Short Term Debtors | |
|----------------|---------------------------|----------------|
| | 2017/18 | 2018/19 |
| | £000 | £000 |
| Amortised Cost | 66 | 42 |

Note 15 Usable Reserves

General Fund

The creation of a General Fund was agreed by the Board at its meeting on 28 January 2011. This was introduced to provide the Assessor with some flexibility to investigate any spend-to-save projects which would require one-off expenditure in order to deliver future budget savings. The reserve also acts as a contingency for any unexpected costs in future years. Transfers are restricted to 3% of revenue budget in any one year subject to the reserve having a cumulative balance not exceeding 5% of revenue budget.

Capital Fund

Under the terms of Schedule 3 to the Local Government (Scotland) Act 1975, the Board has established a Capital Fund and has paid into that fund the receipt in respect of the Board's share from the sale of Woodhill House. Interest earned on the Capital Fund balance is added to the accumulated balance each year.

| | 2017/18 £000 | 2018/19 £000 |
|------------------------|-----------------|-----------------|
| Usable Reserves | | |
| General Fund | 153 | 215 |
| Capital Fund | 55 | - |
| | 208 | 215 |

Note 16 Unusable Reserves

| | 2017/18 £000 | 2018/19 £000 |
|---------------------------------------|-----------------|-----------------|
| Revaluation Reserve | 218 | 262 |
| Employee Statutory Adjustment Account | (110) | (117) |
| Capital Adjustment Account | 425 | 490 |
| Pension Reserve | (3,878) | (4,476) |
| | (3,345) | (3,841) |

Note 16 (continued)

Revaluation Reserve

The Revaluation Reserve contains gains made by the Board arising from increases in the value of its Property, Plant and Equipment.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| | 2017/18 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 223 | 218 |
| Revaluations | | |
| Upward revaluation of assets not posted to the Surplus or Deficit on the Provision of Services | - | 49 |
| Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account | (5) | (5) |
| Balance at 31 March | 218 | 262 |

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| | 2017/18 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | (105) | (110) |
| Settlement or cancellation of accrual made at the end of the preceding year | 105 | 110 |
| Amounts accrued at the end of the current year | (110) | (117) |
| Balance at 31 March | (110) | (117) |

Note 16 (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| | 2017/18 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 426 | 425 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement | | |
| Charges for depreciation and impairment of non-current assets | (24) | (2) |
| Adjusting amounts written out of the Revaluation Reserve | 5 | 5 |
| Net written out amount of the cost of non-current assets consumed in the year | (19) | 3 |
| Capital financing in the year: | | |
| Use of Capital Fund to finance new capital expenditure | 18 | 55 |
| Capital Expenditure charged against the General fund | - | 7 |
| Balance 31 March | 425 | 490 |

Note 16 (continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| | 2017/18 | 2018/19 |
|--|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | (6,625) | (3,878) |
| Remeasurements of the net defined benefit liability/asset | 3,237 | (206) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | (956) | (876) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 466 | 484 |
| Balance at 31 March | (3,878) | (4,476) |

Note 17 External Audit Costs

The Board has incurred the following costs in relation to the audit of the Annual Accounts.

| | 2017/18 | 2018/19 |
|--|----------------|----------------|
| | £000 | £000 |
| Fees payable in respect of external audit services carried out by the appointed Auditor for the year | 7 | 7 |

Note 18 Cashflow – Analysis of Net Deficit on the provision of services for non cash movements

| | 2017/18 | 2018/19 |
|----------------------------------|----------------|----------------|
| | £000 | £000 |
| Depreciation/Impairment charges | (24) | (2) |
| Pension Liability | (490) | (392) |
| Increase/(Decrease) in Debtors | 40 | (24) |
| Decrease/(Increase) in Creditors | 205 | (142) |
| | (269) | (560) |

Note 19 Requisition and Grant Income

The Board credited the following requisitions to the Comprehensive Income and Expenditure Statement. The requisitions are based on population.

| | 2017/18 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Credited to Requisitions and Non Specific Grant Income: | | |
| Requisition from Aberdeen City Council | 1,583 | 1,677 |
| Requisition from Aberdeenshire Council | 1,800 | 1,914 |
| Requisition from Moray Council | 656 | 701 |
| | 4,039 | 4,292 |
| Returned to constituent authorities: | | |
| Aberdeen City Council | - | 53 |
| Aberdeenshire Council | - | 60 |
| Moray Council | - | 22 |
| | - | 135 |

Note 20 Leases

Operating Leases – Board as Lessee

Operating lease payments are reflected in the Cost of Services heading in the Comprehensive Income and Expenditure Statement, as the rentals become payable. The Board does not have any finance leases.

The Board pays Aberdeenshire Council for the rental of their offices within Woodhill House under the terms of an operating lease. The amount paid under these terms in 2018/19 was £0.125m (£0.125m in 2017/18).

The future minimum lease payments due under non-cancellable leases in future years are:

| | 2017/18 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Not later than one year | 125 | 125 |
| Later than one year and not later than five years | 375 | 500 |
| More than five years | - | 375 |
| | 500 | 1000 |

Note 21 Related Parties

The Board is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows readers to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board.

Constituent Authorities

The constituent authorities have the potential to control or influence the Board as they provide the majority of the Board's funding. Details are shown in Note 19. The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

| | Restated 2017/18 £000 | 2018/19 £000 |
|-----------------------|---|-------------------------------|
| Aberdeen City Council | 68 | 76 |
| Aberdeenshire Council | 298 | 199 |
| Moray Council | 84 | 73 |

The amounts owed to the constituent authorities for requisitions and normal business activities at 31 March were:

| | | |
|-----------------------|----|----|
| Aberdeen City Council | 4 | 57 |
| Aberdeenshire Council | 17 | 72 |
| Moray Council | 56 | 92 |

Members

Members of the Board have direct control over the Board's financial and operating policies. The total of members' allowances paid is shown in the Remuneration Report. There were no other material transactions with members other than the allowances shown in the Remuneration Report.

Note 22 Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment of its officers, the Board makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Board has a commitment to make the payments for those benefits and must disclose them at the time that employees earn their future entitlement.

The Board participates in the North East Scotland Pension Fund (NESPF), a Local Government Pension Scheme, which is administered by Aberdeen City Council. Up until 31 March 2015 pension benefits accrued are based on final salary. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. Benefits earned from 1 April 2015 are based on career average salary. The Scheme is a funded defined benefit scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

There are also arrangements in place for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

The North East Scotland Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee. The Committee is comprised of nine elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations. Following the introduction of The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, the Pension Fund took the opportunity to review its governance arrangements. To comply with these regulations, the Pension Fund implemented a Pension Board with representation from Unions and Employers from the 1 April 2015. With the introduction of the Pension Board, the Joint Investment Advisory Committee was disbanded.

The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policy note.

Transactions relating to Post-employment Benefits

In relation to the North East Scotland Pension Fund, the Board recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against requisitions is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

Note 22 (continued)

| COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT | 2017/18 | 2018/19 |
|---|----------------|----------------|
| | £000 | £000 |
| Cost of Services: | | |
| Current Service Cost and administration expenses | 795 | 783 |
| Financing and Investment Income and Expenditure: | | |
| Net Interest Expense | 161 | 93 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 956 | 876 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement. | | |
| Remeasurement of the Net Defined Benefit Liability comprising: | | |
| Expected return on pension fund assets | (769) | (1,615) |
| Actuarial (gain)/loss on financial assumptions | (2,468) | 1,821 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement. | (3,237) | 206 |
| MOVEMENT IN RESERVES STATEMENT | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 956 | 876 |
| Actual amount charged against requisitions for pensions in the year | 466 | 484 |

Note 22 (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet

The change in the net pensions liability is analysed into the following components:

Current Service Cost: The increase in liabilities as a result of years of service earned this year.

Net Interest on the Net Defined Benefit Liability: The change during the year in the net defined benefit liability that arises from the passage of time – charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

Remeasurements: This comprises the Return on Plan Assets (excluding amounts included in the Net Interest on the Net Defined Benefit Liability) and Actuarial Gains and Losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions Paid to the Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

The amount included in the Balance Sheet arising from the Board's obligation in respect of its defined benefit plan is as follows:

| | 31 March 2018 | 31 March 2019 |
|--|----------------------|----------------------|
| | £000 | £000 |
| Present value of the defined benefit obligation | (35,079) | (37,671) |
| Fair value of plan assets | 31,201 | 33,195 |
| Net liability arising from defined benefit obligation | (3,878) | (4,476) |

Note 22 (continued)

The reconciliation of the Board's share of the present value of the North East Scotland Pension Fund's defined benefit liability is as follows:

| | 2018 | 2019 |
|--|-----------------|-----------------|
| | £000 | £000 |
| 1 April | (36,477) | (35,079) |
| Current Service Cost | (786) | (773) |
| Interest on pension liabilities | (905) | (899) |
| Remeasurements: | | |
| Experience gain/(loss) | 229 | - |
| Gain/(Loss) on financial assumptions | 2,452 | (1,821) |
| Gain/(Loss) on demographic assumptions | (213) | - |
| Contributions by scheme participants | (159) | (228) |
| Benefits Paid | 780 | 1,129 |
| 31 March | (35,079) | (37,671) |

The reconciliation of the movements in the Board's share of the fair value of the North East Pension Fund's assets is as follows:

| | 2018 | 2019 |
|--------------------------------------|---------------|---------------|
| | £000 | £000 |
| 1 April | 29,852 | 31,201 |
| Interest on plan assets | 744 | 806 |
| Remeasurements (assets) | 769 | 1,615 |
| Administration expenses | (9) | (10) |
| Employer Contributions | 466 | 484 |
| Contributions by scheme participants | 159 | 228 |
| Benefits Paid | (780) | (1,129) |
| 31 March | 31,201 | 33,195 |

Note 22 (continued)

The Board's share of the Pension Fund's assets is:

| | 31 March 2018 | | |
|----------------------------|------------------|-------------------------|---------------|
| | Quoted Prices in | Prices not Quoted in | Totals |
| | Active Markets | Active Markets | |
| | £000 | £000 | £000 |
| U.K. Equities | 10,463 | - | 10,463 |
| Overseas Equities | 10,047 | - | 10,047 |
| U.K Government Bonds | 1,903 | - | 1,903 |
| Other Government Bonds | 437 | - | 437 |
| Other U.K. Bonds | 21 | - | 21 |
| Other non U.K. Bonds | 374 | - | 374 |
| Property | - | 2,277 | 2,277 |
| Private Equity | - | 1,217 | 1,217 |
| Global Infrastructure | - | 437 | 437 |
| Cash Instruments | - | 499 | 499 |
| Infrastructure Pooled fund | - | 468 | 468 |
| Multi Asset Credit | - | 749 | 749 |
| Diversified Growth Funds | - | 2,309 | 2,309 |
| Total Assets | 23,245 | 7,956 | 31,201 |

| | 31 March 2019 | | |
|-------------------------------|------------------|-------------------------|---------------|
| | Quoted Prices in | Prices not Quoted in | Totals |
| | Active Markets | Active Markets | |
| | £000 | £000 | £000 |
| U.K. Equities | 9,979 | - | 9,979 |
| Overseas Equities | 10,805 | - | 10,805 |
| U.K Government Bonds | 1,534 | - | 1,534 |
| Other Government Bonds | 471 | - | 471 |
| Other U.K. Bonds | 23 | - | 23 |
| Other non U.K. Bonds | 388 | - | 388 |
| Property | - | 2,437 | 2,437 |
| Private Equity | - | 1,524 | 1,524 |
| Private Debt | - | 146 | 146 |
| Private Equity Infrastructure | - | 252 | 252 |
| Infrastructure Pooled fund | 793 | - | 793 |
| Private Equity Real Estate | - | 405 | 405 |
| Multi Asset Credit | - | 767 | 767 |
| Diversified Growth Funds | - | 2,327 | 2,327 |
| Cash Instruments | - | 1,344 | 1,344 |
| Total Assets | 23,993 | 9,202 | 33,195 |

Note 22 (continued)

Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2017 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund, in order to assess the liabilities of the Fund as at 31 March 2019. Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The principal assumptions used by the actuary have been:

| | 31 March 2018 | 31 March 2019 |
|---|---------------|---------------|
| Financial assumptions: | | |
| Discount rate | 2.60% | 2.40% |
| Rate of increase in salaries | 3.60% | 3.70% |
| Rate of increase in pensions | 2.20% | 2.30% |
| Rate of CPI inflation | 2.10% | 2.20% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| Men | 22.7 | 22.9 |
| Women | 24.9 | 25.0 |
| Longevity at 65 for future pensioners: | | |
| Men | 25.6 | 25.8 |
| Women | 27.9 | 28.1 |

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

The effects of a 0.1% increase/decrease in the rate for discounting scheme liabilities, the rate of inflation, and the rate of increase in salaries and a 1 year increase/decrease in life expectancy are shown in the table below:

Note 22 (continued)

Sensitivity Analysis as at 31 March 2019

| | Central position | + 0.1% p.a. discount rate | + 0.1% p.a. inflation | + 0.1% p.a. pay growth | +1 year increase in life expectancy |
|--------------|-----------------------------|--|----------------------------------|-----------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 |
| Liabilities | 37,671 | 37,045 | 38,308 | 37,809 | 38,399 |
| Assets | (33,195) | (33,195) | (33,195) | (33,195) | (33,195) |
| Fund Deficit | 4,476 | 3,850 | 5,113 | 4,614 | 5,204 |
| | Central position | - 0.1% p.a. discount rate | - 0.1% p.a. inflation | - 0.1% p.a. pay growth | -1 year increase in life expectancy |
| | £000 | £000 | £000 | £000 | £000 |
| Liabilities | 37,671 | 38,297 | 37,034 | 37,533 | 36,943 |
| Assets | (33,195) | (33,195) | (33,195) | (33,195) | (33,195) |
| Fund Deficit | 4,476 | 5,102 | 3,839 | 4,338 | 3,748 |

Note 22 (continued)

Funding Strategy Statement (FSS)

The FSS sets out how the administering authority balances the potentially conflicting aims of affordability of contributions, transparency of process, stability of employers' contributions, and prudence in the funding basis.

The Pension Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2017 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date. Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However, the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular year. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets.

The asset proportions of the Fund at 31 March 2019, with March 2018 in brackets were: equities, including alternatives 81.3% (82.3%), bonds 7.3% (8.8%), property 7.4% (7.3%) and cash 4.0% (1.6%). This is based on the Board's proportion of assets held as supplied by the actuary, rather than the proportions held by the fund as a whole.

Impact on the Board's Cash Flows

While the Fund's main objective is to ensure solvency of the NESPF they also aim to keep employers' contributions at as constant a rate as possible. Following the 2017 valuation the Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average surplus spread period of 24 years and have maintained an employer contribution rate requirement of 19.3% for local authorities across the scheme. During the valuation process employer rates are set for a period of three years with the next triennial valuation due as at 31 March 2020 to determine a funding level and set the rates for 2021/22 onwards.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2019 is £0.484m.

The weighted average duration of the liabilities for scheme members at the 31 March 2017 valuation is 17 years.

Note 23 Contingent Liabilities

Guaranteed Minimum Pension (GMP)

This relates to pension schemes which were 'contracted out' of additional state pension arrangements. The UK Government has stated "defined benefit pensions schemes that were Contracted-out Salary Related (COSR) schemes before contracting out ended on 6 April 2016 need to provide a Guaranteed Minimum Pension (GMP) to members for contracted out service between 6 April 1978 and 5 April 1997. The GMP is payable at age 60 for a woman and at age 65 for a man."

The Government launched a consultation on this issue and, based on the responses received, implemented an interim solution whilst a long term approach is finalised.

There is potential for a financial cost to the Board as a result of this issue but, until a long term solution can be determined by the UK Government, the extent of such a cost cannot be determined.

Pensions Transition Arrangements Age Discrimination

In December 2015, the UK Government introduced reforms to public sector pension. In December 2018, the Court of Appeal ruled that some of the transitional arrangements put in place as a result of these reforms were discriminatory. The UK Government appealed this ruling but in June 2019 the Supreme Court denied this request to appeal.

It is not currently known how this will impact Local Government pensions but there is the potential for a financial impact on schemes which have implemented transitional arrangements for benefits changes. However, the potential liability, if any, to the Board cannot be calculated with any certainty.

GLOSSARY OF TERMS

EXPENDITURE

Employee Benefit Expenses

Includes direct and indirect employee expenses.

Direct expenses include salaries and overtime, employer's national insurance and superannuation contributions.

Indirect employee expenses include relocation cost, interview expenses, training and staff advertising.

Other Service Expenses

Includes

- rent, rates, repairs and maintenance and premises-related expenditure at the area offices in Banff, Elgin and Woodhill House headquarters.
- all costs associated with the hire or use of transport, including staff travel allowances and public transport and
- the cost of purchasing equipment, furniture and materials used in the operation or administration of the service, including printing and stationery, canvass expenses and valuation appeal panel costs.

Support Services

This is a charge from Moray Council for services that support the Board in its provision of services to the public. These include Legal Services, Financial Services, Internal Audit and Human Resources.

Depreciation

Depreciation is a charge to the Comprehensive Income and Expenditure Statement, reflecting the decline in value of assets as a result of their usage or ageing.

Impairment

Impairment is a charge to the Comprehensive Income and Expenditure Statement, reflecting that the recoverable amount of an asset is less than its carrying amount.

INCOME

Requisitions

Funding received from the constituent authorities for which the Board provides a service.

GLOSSARY OF TERMS (continued)

OTHER TERMS

CIPFA

The Chartered Institute of Public Finance and Accountancy

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

IFRS

International Financial Reporting Standard

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom

SeRCOP

Service Reporting Code of Practice

Fair Value

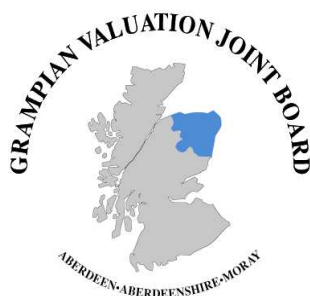
IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

Current Value

For operational land and buildings, current value is the amount that would be paid for the asset in its existing use.

Economic Cost

The total cost of performing an activity or following a decision or course of action.



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 23 AUGUST 2019

SUBJECT: REPORTS TO THOSE CHARGED WITH GOVERNANCE 2018/19

BY: TREASURER TO THE BOARD

1. REASON FOR REPORT

- 1.1 To ask the Board to consider the reports to those charged with governance from the Board's External Auditor for the year ended 31 March 2019.

2. RECOMMENDATION

- 2.1 It is recommended that the Board considers and notes the covering memo and draft Annual Report on the 2018/19 audit from the External Auditor.

3. BACKGROUND

- 3.1 The Board's External Auditor, Audit Scotland provides an Annual Audit Report to those in charge of governance who are the members of the Joint Board and the Controller of Audit each year. This report is a significant document and covers:

- Audit Process and Financial Position
- Governance and Transparency
- Matters relating to ISA 260 Communications to those charged with governance

- 3.2 A copy of the covering memo (**APPENDIX 1**) and the draft report (**APPENDIX 2**) are attached for information and the Board's External Auditor, Maggie Bruce, Senior Audit Manager, Audit Scotland will present the report at the meeting.

4. CONCLUSION

- 4.1 The audit of the Board's financial statements by Audit Scotland provides the Board with assurance that the annual accounts have been presented fairly and in accordance with current accounting standards and other mandatory requirements. The opinion offered by the External Auditor

gives the Board assurance that its stewardship of resources have been managed to achieve the best value for public money.

| | |
|--------------------|--|
| Author of Report: | Lorraine Paisey, Treasurer to the Board |
| Background papers: | Held within Accountancy Section, Moray Council |

Grampian Valuation Joint Board
Woodhill House
Westburn Road
Aberdeen
AB15 6GE

23 August 2019

Grampian Valuation Joint Board Audit of 2018/19 annual accounts

Independent auditor's report

1. Our audit work on the 2018/19 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matter referred to later in this letter and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 23 August 2019. The proposed report is attached at **Appendix A**.

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Grampian Valuation Joint Board's consideration our draft annual report on the 2018/19 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of two (financial sustainability and the appropriateness of the disclosures in the governance statement) of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. The reasons for this reduced scope are set out in our 2018/19 Annual Audit Plan.
4. Our annual audit report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to report. **To be confirmed.**

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Grampian Valuation Joint Board we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from the Treasurer

8. As part of the completion of our audit, we are seeking written representations from the Treasurer on aspects of the annual accounts, including the judgements and estimates made.
9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding matters

10. There is one area that requires to be resolved before we can conclude the audit of Grampian Valuation Joint Board's annual accounts:

The courts have ruled that the transitional protections provided as part of the 2015 public service pension scheme changes discriminate on the grounds of age. All local government pension schemes are affected including the North East Pension Fund. As this is a potential adjusting post balance sheet event, we have asked the Treasurer to obtain an estimate from the Pension Fund's actuary of the costs involved in compensating affected members of the Joint Board's pension scheme. Once the amount is known we will consider the impact on the 2018/19 annual accounts.

APPENDIX A: Proposed Independent Auditor's Report (subject to satisfactory resolution of the impact of the McCloud judgement)

Independent auditor's report to the members of Grampian Valuation Joint Board and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Grampian Valuation Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the Grampian Valuation Joint Board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is two years. I am independent of the Grampian Valuation Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Grampian Valuation Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Grampian Valuation Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Treasurer and Grampian Valuation Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Grampian Valuation Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Grampian Valuation Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. 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 these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Maggie Bruce
Senior Audit Manager
Audit Scotland
1st Floor, Room F03
The Green House
Beechwood Business Park North
Inverness
IV2 3BL

23 August 2019

APPENDIX B: Letter of Representation (ISA 580)

Maggie Bruce, Senior Audit Manager
Audit Scotland
1st Floor
Room F03
The Green House
Beechwood Business Park North
Inverness
IV2 3BL

23 August 2019

Dear Maggie

Grampian Valuation Joint Board Annual Accounts 2018/19

1. This representation letter is provided about your audit of the annual accounts of Grampian Valuation Joint Board for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Assessor and Electoral Registration Officer and the management team, the following representations given to you in connection with your audit of Grampian Valuation Joint Board's annual accounts for the year ended 31 March 2019.

General

3. Grampian Valuation Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Grampian Valuation Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Grampian Valuation Joint Board at 31 March 2019 and the transactions for 2018/19.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the Grampian Valuation Joint Board's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Grampian Valuation Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Grampian Valuation Joint Board's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2019 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2019 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2019.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2019 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in the 2018/19 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2019. Where the effect of

the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2019 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2019 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for Grampian Valuation Joint Board have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 23 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2018/19 accounting code and IAS 37.

Fraud

22. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 accounting code. I have made available to you the identity of all Grampian Valuation Joint Board's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

27. I confirm that the Grampian Valuation Joint Board has undertaken a review of the system of internal control during 2018/19 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2019, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

29. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Lorraine Paisey
Treasurer

Grampian Valuation Joint Board

DRAFT 2018/19 Annual Audit Report



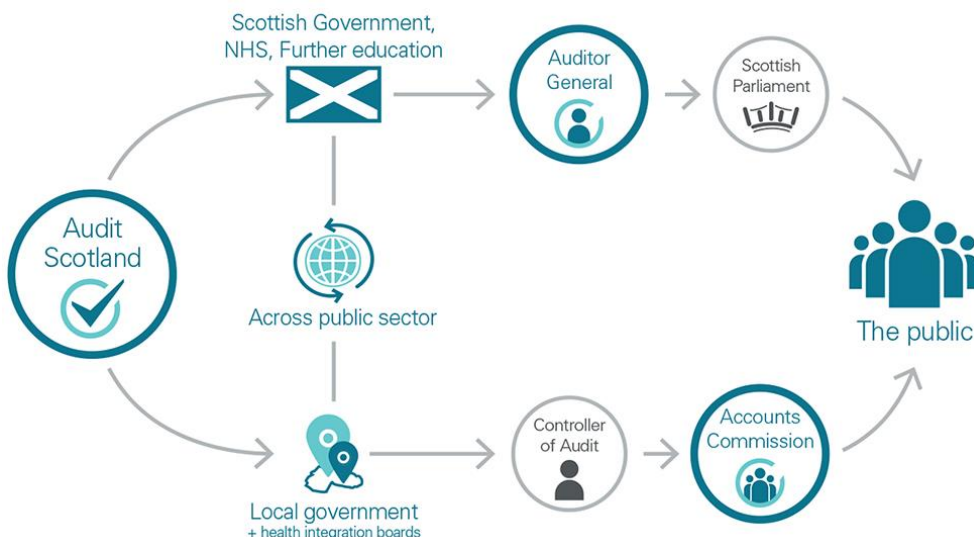
 AUDIT SCOTLAND

Prepared for the Grampian Valuation Joint Board and the Controller of Audit
August 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- the Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance
- the Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2018/19 annual report and accounts

- 1** The Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2018/19.
- 2** The management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and were properly prepared in accordance with the applicable requirements.

Financial sustainability

- 3** The Joint Board has effective arrangements in place for financial management. An underspend of £204,000 was achieved against the 2018/19 budget, the majority of which was returned to constituent authorities.
- 4** Budgets are prepared and approved on an annual basis. The Joint Board has recognised the need to improve its medium to longer-term financial planning, but limited progress has been made since we first raised this in August 2017.
- 5** The Joint Board faces a number of challenges in maintaining a sustainable financial position in the medium to longer-term. These include increasing costs resulting from the reform of the NDR system resulting from the Barclay review.

Introduction

1. This report summarises the findings from our 2018/19 audit of Grampian Valuation Joint Board (the 'Joint Board').
2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2019 meeting of the Joint Board. This report comprises the findings from:
 - an audit of the Joint Board's annual accounts
 - consideration of the Joint Board's financial sustainability and the appropriateness of the disclosures in the annual governance statement.
3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:
 - financial sustainability,
 - financial management,
 - governance and transparency, and
 - value for money.
4. Supplementary Guidance to the Code of Audit Practice 2016 allows appointed auditors to use judgement to conclude that the full application of the wider scope is not appropriate based on the risks, nature and size of an audited body (a small audited body clause). In our judgement the small audited body clause applies to the Grampian Valuation Joint Board. This means that our wider dimensions work has focussed on financial sustainability and the appropriateness of the disclosures in the annual governance statement.

Adding value through the audit

5. We add value to the Joint Board through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear conclusions on the appropriateness of the disclosures in the annual governance statements and financial sustainability.
6. In so doing, we aim to help the Joint Board promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

- 7.** The Joint Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Joint Board is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.
- 8.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK.
- 9.** As public-sector auditors we give independent opinions on the annual accounts and conclude on the Joint Board's arrangements for securing financial sustainability and the appropriateness of its governance statement disclosures. In doing this, we aim to support improvement and accountability.
- 10.** The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the organisation and its services. As highlighted in our 2018/19 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions of the Joint Board, we applied the small body provisions of the Code to the 2018/19 audit.
- 11.** The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
- 12.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
- 13.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and the 2018/19 audit fee of £7,280 set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
- 14.** This report is addressed to both the Grampian Valuation Joint Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
- 15.** We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual report and accounts



Main judgements

The Joint Board's financial statements give a true and fair view and were properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2018/19.

The management commentary, annual governance statement and the audited part of the remuneration report, were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The annual report and accounts are the principal means of accounting for the stewardship of the Joint Board's resources and its performance in the use of those resources.

Audit opinions on the annual report and accounts

16. The annual report and accounts for the year ended 31 March 2019 were approved by the board on 23 August 2019 (TBC). We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2018/19 (TBC)
- the management commentary, annual governance statement and the audited part of the remuneration report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual report and accounts for audit

17. We received the unaudited annual accounts on 29 May 2019 in line with our agreed audit timetable.

18. The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly

Risks of material misstatement

19. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

20. We report a number of issues resulting from our work on these audit risks throughout this report and include appropriate recommendations in the action plan at [Appendix 1](#).

Materiality

21. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material, we consider both the amount and nature of the misstatement.

22. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

23. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 1 Materiality values

| Materiality level | Amount |
|-------------------------|---------|
| Overall materiality | £89,000 |
| Performance materiality | £62,000 |
| Reporting threshold | £4,000 |

Source: Annual Audit Plan 2018/19

Significant findings from the audit (ISA 260)

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

25. The significant findings from our audit are set out in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Exhibit 2 Significant findings from the audit of the financial statements

| Finding | Resolution |
|---|---|
| 1. Pension liability – McCloud judgement The courts have ruled that the transitional protections provided as part of the 2015 public service pension scheme changes discriminate on the grounds of age. The Joint Board's local government pension schemes will be impacted by this ruling. | Awaiting revised pension liability figures from the North East of Scotland Pension Fund's (NESPF) actuary. |

| Finding | Resolution |
|---|--|
| <p>2. Guaranteed minimum pensions (GMP)</p> <p>The courts have ruled that UK defined benefit pension schemes must compensate members for differences attributable to guaranteed minimum pensions (GMPs). The NESPF's actuary's general advice is that a 'trigger event' has yet to occur.</p> | <p>The Joint Board has added a contingent liability note to its accounts to explain and disclose this matter. We are content with this disclosure.</p> |
| <p>3. Going concern</p> <p>Auditors are required to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. One of the indicators that may give rise to going concern considerations is an excess of liabilities over assets. In accordance with International Accounting Standard 19 (Employee Benefits), the Joint Board has recognised its share of the net liabilities of the North East Scotland Pension Fund resulting in a net liabilities position (£4.476 million) on its balance sheet at the year end.</p> | <p>This accounting requirement has no impact on the underlying basis for meeting current and on-going pension liabilities which will be met, as they fall due, by contributions from the constituent authorities. We agree with management's view that it is appropriate to prepare the 2018/19 financial statements on the going concern basis.</p> |
| Source: Audit Scotland | |

How we evaluate misstatements

26. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. There were no uncorrected misstatements in the financial statements of the Joint Board.

Follow up of prior year recommendations

27. We reviewed progress made in implementing the agreed actions included in our 2017/18 annual audit report. We concluded that the Joint Board has made some progress during 2018/19 and, where appropriate, have included revised responses and timescales in [Appendix 1](#).

Part 2

Financial sustainability



Main judgements

Effective financial management arrangements are in place. An underspend of £204,000 was achieved against the 2018/19 budget, the majority of which was returned to constituent authorities.

Budgets are prepared and approved on an annual basis. The Joint Board has recognised the need to improve its medium to longer-term financial planning, but limited progress has been made since we first raised this in August 2017.

The Joint Board faces a number of challenges in maintaining a sustainable financial position in the medium to longer-term. These include increasing costs resulting from the reform of the NDR system resulting from the Barclay review.

Financial sustainability looks forward to the medium and longer-term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial performance in 2018/19

28. The Joint Board's net operating expenditure in 2018/19 was £4.088 million compared to budgeted net expenditure of £4.292 million, an underspend of £204,000. The majority of this underspend relates to vacant posts (£87,000) and other service expenses (£73,000) (see [Exhibit 3](#)).

Exhibit 3

Performance against budget in 2018/19

| | Budget £'000 | Actual £'000 | Over/(under) spend against budget £'000 |
|--|-----------------|-----------------|---|
| Employee benefit expenses | 3,298 | 3,206 | (92) |
| Other service expenses | 1,071 | 998 | (73) |
| Support service recharges | 57 | 58 | 1 |
| Requisitions | (4,292) | (4,292) | - |
| Government grants and other service income | (131) | (171) | (40) |
| Interest and Investment income | (3) | (3) | - |
| Net over/(under) spend against budget | - | (204) | (204) |

Source: Audited Annual Accounts 2018/19

29. The Joint Board used £7,000 of this surplus to fund capital expenditure in year and after transferring the maximum permitted (£62,000) to reserves, the remainder (£135,000) was returned to constituent authorities.

30. The net operating expenditure (£4.088 million) differs from the net cost of services disclosed in the comprehensive income and expenditure statement of £4.399 million by £311,000. This is because reports prepared for the Joint Board's monitoring purposes are prepared on a different basis from the accounting policies used to prepare the financial statements.

31. Note 7 to the accounts reconciles the figures in the budget outturn report including capital expenditure funded from revenue to the figures in the comprehensive income and expenditure statement (note: the budget monitoring reports £3,000 of interest income is included in the Other Income and Expenditure line in Note 7 but offset against net expenditure in the budget monitoring reports). Note 7 shows that the majority of the difference is due to the cost of retirement benefits which are based on cash flows in the budget monitoring reports, but on the current service costs of benefits accrued in the year within the accounts.

32. As highlighted in [Exhibit 2](#), the Joint Board's balance sheet as at 31 March 2019 was in a net liability position due to the requirements of IAS19 (Retirement Benefits). This liability will be made good by increased contributions over the remaining working lives of the employees, as assessed by the scheme's actuary

Reserves

33. The Joint Board maintains a General Fund balance to support medium-term financial planning and to address any unforeseen costs. In the absence of a more specific regulation for Valuation Joint Boards in respect of the carry forward limits on the general fund, members agreed that a maximum of 3% of the total budget should be added to the general fund in any one year as long as the cumulative balance does not exceed 5% of the total budget in that year.

34. As at 31 March 2019, the Joint Board had a General Fund balance of £215,000 (£153,000). It used the remainder of its Capital Fund balance (£55,000) to fund the purchase of IT equipment during 2018/19. Although the Joint Board currently has an adequate level of reserves, it faces a number of resourcing challenges in the medium to longer-term, including the increasing cost of services, reductions in requisition funding and uncertainties over the level of government funding available to cover the additional costs associated with Individual Electoral Registration (IER). These challenges are likely to put additional pressure on the General Fund balance.

2019/20 budget

35. The Joint Board approved its 2019/20 budget in February 2019. The budget was set at £4.463 million, an increase of £0.171 million (4%) on the 2018/19 budget, of which £99,000 relates to additional costs associated with NDR reform. The latest budget monitoring report, as at 31 May 2019, shows an underspend against the budget to date of £42,000. A detailed estimated outturn statement will be reported to the Joint Board meeting in November 2019.

36. Indicative figures were also included for 2020/21 and these show that Joint Board gross expenditure is forecast to rise by a further £353,000 (7.7%) in 2020/21. The majority of this increase (£260,000) relates to additional costs associated with NDR reform.

Medium to long-term financial planning

37. The Joint Board's budgets are prepared and approved on an annual basis and the 2019/20 budget included an indicative budget for the following year. In 2016/17 we recommended that the Joint Board develop a long-term financial strategy of 5 years or more supported by clear and detailed medium-term financial plans covering 3 years or more. These should set out scenario plans showing the best, worst and most likely scenarios with a clear assessment of the impact of budget assumptions on activity and any residual risks

38. The Treasurer has recognised the need to improve the Joint Board's financial planning and, initially advised that a financial strategy and framework would be prepared for a five-year period, and a three-year budget reported to the Board when the 2018/19 budget was set in January 2018. This initial target was missed as was the revised target to prepare a draft five-year strategy for consideration at the Joint Board meeting in February 2019. We have been advised that a three-year financial strategy will now be prepared, with work on this due to commence in September 2019.

39. The need to forecast and plan for the medium to longer term is becoming increasingly critical for the service due to the reducing IER funding. The additional responsibilities resulting from the Barclay review of non-domestic rates will also have medium to longer term resource implications. Audit Scotland's 2016 local government overview report set out some questions which provide a framework that officers, and members could use to assess the Joint Board's financial planning arrangements against. A self-assessment tool for councillors is also available as a supplement to the report.



Recommendation 1

The Joint Board should develop a long-term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +). Plans should set out scenario plans (best, worst, most likely) with a clear assessment of the impact of the budget assumptions on activity and any residual risks.

Annual governance statement

40. Our review of the Annual Governance Statement within the annual accounts assessed the assurances which are provided to the Treasurer regarding the adequacy and effectiveness of the Board's system of internal control which operated in the financial year. As in previous years, the Treasurer has placed reliance on the Internal Audit Manager's opinion that 'reasonable assurance can be placed on the adequacy and effectiveness of the system of internal financial control established within the Assessor's Service.'

41. The Annual Governance Statement sets out the key challenges facing the Joint Board in 2019/20. These include upgrading operational capacity in terms of workforce, processes and IT systems, improving and streamlining governance arrangements, and making optimal use of the new electoral registration system.

42. We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by Scottish Ministers.

European Union (EU) withdrawal

43. There remains significant uncertainty over the arrangements under which the UK will leave the EU. Withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies, and so it is critical that public sector bodies understand, assess and prepare for the likely impact on their business. As part of our 2018/19 audit we undertook a high-level review of the Joint Board's preparedness for EU withdrawal focusing on three key areas: people, funding and regulations.

44. People: the Joint Board do not employ any non-UK EU staff and there is expected to be limited impact on the workforce from EU withdrawal. Historically, the Joint Board have struggled to recruit suitably qualified staff and there may be a further limitation on the pool of available candidates depending on the outcomes of the withdrawal process regarding freedom of movement of labour.

45. Funding: the Joint Board are financed via requisitions from the constituent authorities and via grants from the UK government. A small amount of income is received from sales of the electoral register and interest from investment of reserves in Moray Council's loans fund. No funding is received directly from the EU and so this is considered to be a low risk area for the Joint Board.

46. Regulation: this is considered to be a low risk area for the Joint Board as the Withdrawal Act will transpose current EU regulations into UK law until any future amendments are actioned by the UK Government.

47. The Joint Board has assessed the impact of the EU withdrawal process on its business and identified the following as its key risks:

- unscheduled electoral events (including the EU elections in May 2019) – this is being mitigated through a closely managed and restricted annual leave policy for all staff. The 2019/20 budget was, however, set on a business-as-usual basis and there is a risk of overspend should there be several electoral events within a short time period. The Joint Board has sufficient reserves to cover such an overspend should it occur
- increased risk of appeals against valuation roll entries should EU withdrawal be deemed to be a material change in circumstances which impacts on value – the likely impact of this is more difficult to predict and would have to be managed once the volume of any additional appeals is known.

48. Overall, we concluded that the Joint Board had taken reasonable steps to prepare for the impact of EU withdrawal.

Appendix 1

Action plan 2018/19



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|---|--|
| 1 | <p>Medium to long-term financial planning</p> <p>The Joint Board's budgets are prepared and approved on an annual basis and include an indicative budget for the following year. Since 2016/17 we have recommended that the Joint Board prepare a long-term financial strategy supported by clear and detailed financial plans. Limited progress has been made with this to date.</p> <p>Risk</p> <p>The Joint Board is unable to deliver all of its commitments or meet performance targets within its existing resources.</p> | <p>A long-term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be developed. Plans should set out scenario plans (best, worst, most likely) with a clear assessment of the impact of budget assumptions on activity and any residual risks.</p> | <p>This action was delayed while we awaited information on the impact of the Barclay review and the associated funding.</p> <p>A more achievable three-year financial strategy will be complied. The first stage of this will be reported to the Board in the autumn.</p> <p>Responsible officer</p> <p>Assessor & ERO and Treasurer</p> <p>Revised date</p> <p>To commence September 2019</p> |

Follow up of prior year recommendations

| | | | |
|---|---|---|--|
| 2 | <p>External assessment of Internal Audit</p> <p>An external assessment of the Joint Board's internal audit function was not completed within five years of the introduction of the Public Sector Internal Audit Standards as required by these standards.</p> <p>Risk</p> <p>Without external assessment, Internal Audit cannot demonstrate that it complies with the Public Sector Internal Audit Standards.</p> | <p>An external assessment of the internal audit function should be undertaken as a matter of urgency and the results reported to the Joint Board.</p> | <p>The external assessment was completed in February 2019. It concluded that the internal audit service 'generally conforms' with the PSIAS.</p> <p>Of the thirteen assessment areas, internal audit fully conforms with four, generally conforms with seven and partially conforms with two.</p> <p>Closed</p> |
|---|---|---|--|



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|--|--|
| 3 | <p>Related party returns and registers of interest</p> <p>Of the 15 related party returns issued to members, only 8 responses (53%) were received. Senior officers are not asked to complete a related party return.</p> <p>Review of Joint Board member's registers of interest noted that only 3 showed evidence of update within the previous 6 months. The Joint Board's senior officers have not completed a register of interests' disclosure.</p> <p>Risk</p> <p>Related party transactions are not all detected and disclosed within the annual accounts as required by the Code.</p> | <p>The Joint Board should review its procedures for identifying related parties within the annual accounts. These should cover both members and senior officers. In addition, members should be reminded of the importance of keeping their registers of interest up to date and senior officers should be asked to complete a register of interests return.</p> | <p>In June 2019, the Joint Board agreed that all staff should complete registers of interest.</p> <p>Members have been reminded of the importance of completing related party returns. Return rates from members improved to 73% in current year.</p> <p>Revised action</p> <p>All staff will be asked to complete registers of interest by 31 August 2019</p> <p>Members will again be reminded of their responsibilities regarding related party returns as part of a training session to be given by the Treasurer in August 2019.</p> <p>Responsible officer</p> <p>Assessor & ERO and Treasurer</p> <p>Revised date</p> <p>August 2019</p> |

Follow up of recommendations still outstanding from 2016/17

| | | | |
|---|---|--|---|
| 4 | <p>Governance documents</p> <p>The following policies require to be reviewed to ensure that they are up to date and reflect the latest guidance:</p> <ul style="list-style-type: none"> • Code of Corporate Governance (last reviewed 2006) • Code of Conduct (last reviewed 2008) • Anti-Fraud and Corruption Policy (last reviewed 2009) • Confidential Reporting (Whistleblowing) Policy (last reviewed 2008) • Contingencies Plan (last reviewed 2010). <p>In addition, a scheme of delegation has not been prepared for the Joint Board.</p> | <p>Governance documents should be reviewed regularly to ensure that they are up to date and reflect best practice.</p> | <p>2017/18 update:</p> <p>Code of Corporate Governance was reviewed in August 2017.</p> <p>Scheme of delegation was implemented in August 2017.</p> <p>The following are scheduled for review in 2018:</p> <ul style="list-style-type: none"> • Code of Conduct • Anti-fraud and corruption policy • Confidential Reporting Policy • Contingencies Plan <p>IT policies are scheduled for review in 2020.</p> <p>2018/19 update:</p> <p>Contingencies Plan was reviewed in November 2018</p> |
|---|---|--|---|



No. Issue/risk

Recommendation

Agreed management action/timing

| | | | |
|----------|---|---|--|
| | | | <p>Code of Conduct was approved by the Board in February 2019.</p> <p>Anti-fraud and corruption policy was reviewed during 2018 and will be considered by the Board at the August 2019 meeting.</p> <p>Confidential Reporting Policy is scheduled for review in November 2019.</p> <p>IT policies are scheduled for review in 2020.</p> <p>Revised action</p> <p>An updated timetable has been developed for the ongoing review of governance documents.</p> <p>Responsible officer</p> <p>Assessor & ERO and Treasurer</p> <p>Revised date</p> <p>As above</p> |
| 5 | <p>Medium to long-term financial planning</p> <p>The Joint Board's budgets are prepared and approved on an annual basis and include indicative budgets for the following two years. Scenario planning is not used to model the impact of different funding levels.</p> | <p>A long-term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be developed. Plans should set out scenario plans (best, worst, most likely) with a clear assessment of the impact of budget assumptions on activity and any residual risks.</p> | <p>This matter has been carried forward to the 2018/19 action plan (point 1).</p> <p>Ongoing</p> |

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

| Audit risk | Assurance procedure | Results and conclusions |
|--|---|--|
| Risks of material misstatement in the financial statements | | |
| 1 Risk of management override of controls ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements. | Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. | No issues have arisen as part of our audit work that would indicate management override of controls affecting the outturn or year-end position. |
| 2 Estimation and judgements There is a significant degree of subjectivity in the measurement and valuation of the pension liability and non-current asset values included in the annual accounts. This subjectivity represents an increased risk of misstatement in the accounts. | Assessment of the scope, independence and competence of the professionals engaged in providing estimates. Assessment of the appropriateness of the actuarial assumptions. Establish officers' arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and the year end. Focussed testing of IAS19 disclosures. | Our audit procedures did not identify any issues with the estimation and judgements used in compiling the financial statements. |
| 3 Related party returns and registers of interest Our 2017/18 Annual Audit Report highlighted that improvements were required to procedures to ensure that related party returns are completed and up to date registers of interest are maintained for all elected members and senior officers. There is a risk that related party | Review of updated policies and procedures. Inspection of registers of interest of members and senior officers. Focussed testing of related party disclosures within the annual accounts. | The Joint Board has introduced registers of interest for all staff as well as members. The policy was approved at the 21 June 2019 meeting of the Joint Board and is in the process of being implemented. Related party returns continue to be requested from all members to support the information in the annual accounts. However, only 11 out of 15 members (73%) |

| Audit risk | Assurance procedure | Results and conclusions |
|---|---------------------|--|
| transactions are not all detected and disclosed within the annual accounts as required by the 2018/19 Code. | | responded to the request. This is an improvement from prior year (53%). (refer to Appendix 1, Recommendation 3) |

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

| | | |
|--|---|---|
| <p>4 Medium to long term financial planning</p> <p>The Joint Board's budgets are prepared and approved on an annual basis and include indicative budgets for the following two years. Scenario planning is not used to model the impact of different funding levels. Without medium to longer term financial planning, there is a risk that the Joint Board is not fully prepared for potential changes in its funding levels and that opportunities and risks may not be fully realised/mitigated.</p> | <p>Review the 2019/20 budget paper and five-year financial strategy.</p> <p>Comment on financial sustainability within our annual audit report.</p> | <p>A five-year financial strategy has not been prepared. The target time period has been reduced to three-years with work due to commence in September 2019.</p> <p>(refer to paragraphs 37 to 39, and Appendix 1, Recommendation 1)</p> |
| <p>5 Governance documents</p> <p>In previous years we have highlighted that a number of key governance documents are overdue for review and update. In response, the Assessor developed a timetable for the review of these policies but progress against this was limited during 2017/18. Without regular review and update, there is a risk that the Joint Board's policies and procedures do not reflect current regulations and/or best practice.</p> | <p>Obtain a revised timetable and monitor progress against this.</p> <p>Comment on governance arrangements within our annual audit report.</p> | <p>Progress against the previous timetable is set out at Appendix 1, recommendation 4.</p> <p>A revised timetable, dated July 2019, was provided to audit and we will continue to monitor progress as part of our 2019/20 audit.</p> <p>Overall, we concluded that progress had been slower than planned.</p> |

Appendix 3

Summary of national performance reports 2018/19



| | | | |
|---|--|------|---|
| Local government in Scotland: Challenges and performance 2018 | | Apr | |
| Councils' use of arm's-length organisations | | May | Scottish Fire and Rescue Service: an update |
| Scotland's colleges 2018 | | Jun | |
| | | Jul | The National Fraud Initiative in Scotland 2016/17 |
| Forth Replacement Crossing | | Aug | Major project and procurement lessons |
| Children and young people's mental health | | Sept | Superfast broadband for Scotland: further progress update |
| NHS in Scotland 2018 | | Oct | |
| Health and social care integration: update on progress | | Nov | Local government in Scotland: Financial overview 2017/18 |
| | | Dec | |
| | | Jan | |
| | | Feb | |
| | | Mar | Local government in Scotland: Challenges and performance 2019 |

Grampian Valuation Joint Board

DRAFT 2018/19 Annual Audit Report

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REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 23 AUGUST 2019

SUBJECT: INTERNAL AUDIT ANNUAL REPORT 2018/19

BY: TREASURER TO THE BOARD

1. REASON FOR REPORT

- 1.1 This report advises the Board of the internal audit work completed on the Assessor's Service for the financial year ended 31st March 2019, and provides an opinion on the adequacy of the control systems reviewed.

2. RECOMMENDATION

- 2.1 That the Board considers this report for 2018/19 and notes the satisfactory audit opinion derived from audit work completed.**

3. BACKGROUND

- 3.1 In terms of the Public Sector Internal Audit Standards (PSIAS) applicable to Local Government, it is good practice to develop an internal audit plan for each financial year. The plan is agreed with senior management and is presented to the Board to enable it to consider and comment on the proposed audit coverage. The planned work for 2018/19 as reported to the meeting of the Board in January has been completed and informs the internal audit opinion.
- 3.2 As the Board will be aware, the main financial systems of the Assessor's Service replicate those of the Moray Council, hence audit assurances provided in terms of the controls within the Council systems can be relied upon as being applicable to financial systems relating to the Service. There remains a need, however, to test transactions specific to the Assessor's Service annually to provide the Treasurer with an opinion on the adequacy and effectiveness of the internal control systems and procedures. This work includes confirming the administrative processes for reporting revisions to the council tax and non domestic rating lists by the Assessor to the constituent Authorities.
- 3.3 Audit testing reviewed budget setting and monitoring, payroll costs which utilise a major element of the budget, non payroll expenditure covering issues

including office rentals and ICT costs, and assessment of income received (mainly contributions from central Government to meet development costs relative to electoral registration). There are no matters to report to the Board in relation to this testing.

- 3.4 Separately, the audit considered the latest version of the risk register the Assessor and his Senior Management Team had developed. It was noted that a comprehensive suite of risks had been considered with a confidence expressed that these were being effectively managed. Notable were three risk areas where the residual risk remained high, one relating to the need for improved environmental controls for ICT equipment; the others around the future shape of the service (which will be predicated on developments nationally on local taxation and electoral reform), and securing future funding which is subject to requisition payable by the three constituent Authorities from which members of the Board are drawn.
- 3.5 The audit opinion informs the Annual Governance Statement which is certified by the Board's Convener and the Assessor and is published within the Board's annual accounts.
- 3.6 As noted above internal audit carries out its work in line with established internal audit standards. These standards include a requirement for an External Quality Assessment (EQA) of internal audit to be carried out at least once every five years and for the findings to be considered at a meeting of a council committee. The information is also relevant to the internal audit work carried out for the Valuation Board.
- 3.7 The EQA was carried out through a peer review process, which required each audit manager to undertake an assessment at another council and receive an assessment in return. Potential conflicts of interest were avoided and Fife Council was selected to undertake the assessment of Moray Council's internal audit service. The review concluded that the internal audit service generally conforms to the PSIAS with areas of good practice described in the following terms:
- Good overall level of compliance with PSIAS and IPPF (International Professional Practices Framework), on which the PSIAS are based;
 - The Internal Audit Charter is clear, concise and easy to follow. The purpose, authority and responsibility of Internal Audit, Senior Management and the Council is appropriately set out;
 - Functional and administrative reporting lines for the CAE are appropriate;
 - The Internal Audit team is appropriately qualified and experienced. It was acknowledged by key stakeholders that the team was knowledgeable and professional. All members of the team are aware of the professional and ethical standards required;
 - Working papers system is effective for recording the Internal Audit work and reaching conclusions;
 - Reports are concise and easy to follow.

3.8 Specific actions highlighted that pertain to internal audit work for the Valuation Board were restricted to:

- The Internal Audit Charter (Audit Terms of Reference) approved by the council makes no reference to audit engagements with parties outside the Council (including the Valuation Board);
- Audit reports should make it clear that audit work has been carried out in compliance with the Standards. This has been the case in respect of prior reports to the Board and is now affirmed through the EQA process;
- Audit reports should be issued in the name of the Internal Audit Manager. Reports are currently prepared by the Internal Audit Manager albeit reporting protocols currently in place mean the reports are issued in the name of the Treasurer.

These points have been noted and a plan of action developed for consideration during the current financial year.

4. CONSULTATIONS

4.1 The Assessor and Treasurer have been consulted during the audit review process.

5. CONCLUSION

5.1 The Internal Audit Manager is of the opinion, based on audit work completed, that reasonable assurance can be placed on the adequacy of and effectiveness of the system of internal financial control established within the Assessor's Service.

Author of Report: Atholl Scott, Internal Audit Manager
Background Papers: Internal Audit working paper file



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 23 AUGUST 2019

SUBJECT: FINANCIAL REGULATIONS AND ANTI FRAUD AND CORRUPTION POLICY

BY: TREASURER TO THE BOARD

1. REASON FOR REPORT

- 1.1 To seek the Board's approval for revisions to the Financial Regulations which control Grampian Valuation Joint Board's financial administration and the Board's Anti-Fraud and Corruption Policy.

2. RECOMMENDATION

2.1 It is recommended that the Board:-

- (i) approves the proposed changes to the Financial Regulations as set out in APPENDIX 1;**
- (ii) approves the proposed changes to the Anti-Fraud and Corruption Policy as set out in APPENDIX 2; and**
- (iii) notes that these documents will be reviewed at least every three years and any proposed changes reported to the Board for approval.**

3. BACKGROUND

- 3.1 The Financial Regulations were last reviewed on 25 August 2017 (paragraph 7 of the Minute refers). The Anti-Fraud and Corruption Policy was last reviewed on 23 January 2009 (paragraph 2 of the Minute refers)
- 3.2 It is good practice to keep these documents under regular review. At the last review a review in two years' time was approved by the Board.

4. FINANCIAL REGULATIONS

- 4.1 The Treasurer is responsible as the "proper officer" for the Board's financial affairs and in discharging this responsibility has developed and maintains the Financial Regulations.

- 4.2 The Regulations provide direction and guidance to staff who manage or administer the Board's finances and resources as part of their day-to-day duties. The Regulations also assist in securing effective financial control.
- 4.3 All sections of the Regulations have been reviewed. The changes proposed reflect revisions to policy and practice within the service and are highlighted below.
- 4.4 A summary of amendments are provided in the table below:-

| Paragraph Reference | Amendment | Reason |
|----------------------------|---|--|
| 4.7.1 | Remove control of Treasurer and incorporate actions following audit | To comply with recommendations of the independent review of Internal Audit |
| 4.7.3, 4.7.4 | Delete | Now incorporated in 4.7.1 |
| 4.8.2. 4.8.3 | Add option of report suspected fraud direct to the Internal Audit Manager | In case of suspected fraud perpetrated by either the Assessor or the Treasurer |
| 4.9.2 | Add in limits of £30 for gifts | For consistency with Anti-Fraud and Corruption Policy |
| 5.3.1 | Amend reference to Annexe 1 to report | Annexed to last report only |
| 5.3.2 | Add report irregularities to Assessor or Treasurer | For consistency with anti-fraud and corruption procedures |

5. ANTI FRAUD AND CORRUPTION POLICY

- 5.1 The Anti-Fraud and Corruption policy has been reviewed and a small number of amendments are recommended, to ensure consistency between the Policy and the Financial Regulations and other policies and procedures. These are summarised below:

| Section / Paragraph | Amendment | Reason |
|----------------------------|--|--|
| 3.3 para 3 | Delete "personal" replace with "professional" | More accurate description |
| 3.3 para 4 | Delete reference to Depute Assessors replace with written permission from Assessor | Strengthen policy |
| 3.3 para 5 | £30 limit | For consistency with Code of Conduct for Employees |
| 3.4 para 1 | Add in suspicion of | To strengthen the policy |

| Section / Paragraph | Amendment | Reason |
|---------------------|---|--|
| | irregularity to reporting requirement Add Treasurer and Internal Audit Manager as possible recipients of reports | To cover suspicion of irregularity by Assessor |
| 3.4 para 2 | Delete | To cover suspicion of irregularity by Assessor |

6. **CONCLUSION**

- 6.1 The review of the Board's Financial Regulations and Anti-Fraud and Corruption Policy has resulted in a number of small amendments being recommended.
- 6.2 The financial regulatory environment in which the Board operates is not subject to frequent change and it is recommended that a routine review of the Financial regulations and Anti-Fraud and Corruption Policy is undertaken at a minimum of a three year interval.

Author of Report: Lorraine Paisey, Treasurer to the Board
Ref: LP/LJC/
Date 13 August 2019



APPENDIX 1

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GRAMPIAN VALUATION JOINT BOARD

FINANCIAL REGULATIONS

| | |
|--------------------------|---|
| Date of Review | <u>23 August</u> June 201 <u>9</u> 7 |
| Date of previous version | 25 <u>28</u> August 201 <u>7</u> 5 |
| Policy Approved | 25 August 2017 |
| Version Effective From | 25 August 2017 |
| Next Review Date | June-August 20 <u>22</u> 19 |

GRAMPIAN VALUATION JOINT BOARD FINANCIAL REGULATIONS

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GRAMPIAN VALUATION JOINT BOARD

FINANCIAL REGULATIONS

1. INTRODUCTION

- 1.1 These Regulations shall be subservient to the Grampian Valuation Joint Board's Standing Orders along with which they should be read; the purpose of these regulations is to secure and further the proper administration of the Board's financial affairs.
- 1.2 These Financial Regulations shall not be altered except by the Board following a report by the Treasurer in consultation with the Assessor.

2. GENERAL

- 2.1 It shall be the duty of the Assessor to ensure that these Regulations are made known to the appropriate persons within the organisation.
- 2.2 It shall be the duty of all employees to adhere to these Regulations.
- 2.3 Any breach or non-compliance with these Regulations must on discovery be reported immediately to the Treasurer who may discuss the matter with the Assessor in order to determine the proper action to be taken.

3. FINANCIAL PLANNING

3.1 Revenue Budget Preparation

- 3.1.1 The detailed form and timetable to be followed in respect of the revenue budget shall be determined by the Treasurer in consultation with the Assessor, subject to any direction of the Board or any of its committees.
- 3.1.2 Estimates of income and expenditure on the revenue account shall be prepared by the Assessor in consultation with the Treasurer. These estimates shall be submitted to the Board and, when approved by the Board, shall constitute the Revenue Budget for the relevant financial year.
- 3.1.3 The responsibility for providing the services covered by the Revenue Budget shall lie with the Assessor subject to any relevant decisions made by the Board.

3.2 Revenue Budget Monitoring

- 3.2.1 Moray Council's Accountancy section shall furnish the Assessor with regular up-to-date information on actual expenditure and income compared with the approved budget and shall be entitled to receive any clarification deemed necessary on any item of expenditure or income.

3.3 Revenue Budget Management

- 3.3.1 The responsibility for ensuring that revenue budget provisions are not exceeded shall rest with the Assessor, except for financing costs and the recharge of Lead Authority support services, which are the responsibility of the Treasurer.
- 3.3.2 Any proposal to the Board which would involve the incurring of additional expenditure not allowed for in the approved revenue budget shall be accompanied by a report prepared by the Assessor, indicating that there is insufficient provision in the revenue budget, or making proposals for virement as required by Financial Regulation 3.4 below.
- 3.3.3 The Assessor, in consultation with the Treasurer, shall report periodically to the Board on comparisons of actual figures with profiled budget and, for the year as a whole, as soon as possible after figures have been compiled. The Board shall be entitled to seek explanations for any figures in the report.

3.4 Scheme of Virement

The scheme of virement is intended to enable the Board, Assessor and his/her staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Board, and therefore to optimise the use of resources. The term "virement" refers to the switching of budgetary provision from one budget detail head to another.

- 3.4.1 Virement may only be exercised by the Assessor in consultation with the Treasurer. Details of any such virements will be reported to the next scheduled meeting of the Board.
- 3.4.2 Limitations:
- (a) Expected savings on financing costs cannot be utilised.
 - (b) Recurring items of expenditure cannot replace non-recurring savings.

3.5 Accounting Policies and Annual Accounts

The Treasurer is responsible for the preparation of the Board's Annual Accounts, in accordance with proper practices and as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC), for each financial year ending 31 March. Maintaining proper accounting records is one of the ways in which the Board discharges its responsibility for stewardship of public resources. The Board has a statutory responsibility to prepare financial statements that give a true and fair view of its financial position and the income and expenditure for the year.

- 3.5.1 The Treasurer shall arrange for the Annual Accounts for the preceding financial year to be prepared in accordance with the statutory regulations. The Treasurer shall submit the unaudited Annual Accounts to the External Auditors and to the Board for consideration in accordance with the statutory regulations.
- 3.5.2 The audited Annual Accounts shall be submitted to the Board for consideration and approval and the Auditor's Report thereon shall be submitted to the Board for consideration in accordance with the statutory regulations.
- 3.5.3 The Assessor shall be responsible for ensuring that all staff give the Treasurer such assistance as is necessary to ensure that the deadlines agreed with the Treasurer for the completion of the Annual Accounts are complied with.

4. RISK MANAGEMENT AND CONTROL OF RESOURCES

4.1 Internal Control

- 4.1.1 It shall be the responsibility of the Assessor in consultation with the Treasurer to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with law and regulations.
- 4.1.2 It shall be the Assessor's responsibility to ensure that the established controls are being adhered to, to seek agreement from the Treasurer when it is identified that controls require change, and to advise of identified failures to comply with established controls.

4.2 Insurances and Indemnities

- 4.2.1 The Assessor will be responsible for ensuring that the Board has adequate insurance cover and will negotiate all claims in consultation with officers from Moray Council's Payments Section.
- 4.2.2 Moray Council will provide insurance advice and administration support for claims and other insurance issues.
- 4.2.3 The Assessor shall give prompt notification to the Treasurer of all new risks, which require to be insured, and of any alterations affecting existing insurance policies. The Treasurer shall pass this information onto the Board's insurers.
- 4.2.4 The Assessor shall immediately notify the Treasurer and the Board's insurers in writing of any loss, liability or damage or any event likely to lead to a claim, and inform the police and Internal Audit services if he/she considers that criminal activity may have taken place.
- 4.2.5 The Assessor shall annually, or at such other period as may be considered necessary, review all insurances in consultation with the Treasurer as appropriate, and may report thereon to the Board if required.

4.3 Assets

- 4.3.1 The general security of the Board's accommodation shall be the responsibility of the Assessor. In pursuit of this requirement, the Assessor is responsible for maintaining proper security at all times for all buildings, furniture, equipment, cash, etc under his control (recognising the intervention of other parties having predominant control of the Board's accommodation – e.g. Woodhill House) and shall consult the Clerk and/or Treasurer as appropriate in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 4.3.2 Maximum limits for cash holdings shall be agreed with, and shall not be exceeded without express permission from, the Treasurer.

4.4 Property

- 4.4.1 The Assessor will establish and maintain an asset register of all assets owned by the Board with a value over the de-minimis level of £10,000, recording the purpose for which held, the location, the extent, purchase details and particulars of the nature of the interest.
- 4.4.2 The Clerk to the Board will ensure custody of all title deeds under secure arrangements.
- 4.4.3 Disposal of assets is dealt with under Financial Regulation 4.5.
- 4.4.4 The Board's property shall not be removed otherwise than in accordance with the ordinary course of business or used otherwise than for the Board's purpose, except with specific authorisation from the Assessor, which shall be recorded.

4.5 Disposal of Assets

- 4.5.1 All surplus assets, expected to realise up to £10,000 (excluding VAT), where no suitable trade-in arrangements have been made, shall be offered for sale. The Assessor and the Treasurer will exercise judgement to achieve Best Value for the Board in terms of disposal of assets.
- 4.5.2 In the case of items expected to raise more than £10,000 (excluding VAT), then authority will be sought from the Board. The method of disposal may be by public tender, public auction or other electronic/ virtual auctions (e.g. EBay, Gumtree). There is discretion to adopt whatever means is deemed to be appropriate bearing in mind that the best return in terms of disposal values is to be sought taking account of the items under consideration. A PayPal account maybe required for these disposals and if this is to be proposed advice should be sought from the Treasurer.

4.5.3 The Board shall not be bound to accept the highest or any offer. Where an offer other than the highest offer is recommended for acceptance, approval of the Board for matters over £10,000 is required and the reason for accepting the said offer must be duly recorded in the minute of the meeting. Payment must be received before items being disposed of are removed by the purchaser.

4.6 Staffing

4.6.1 Appointments of all employees shall be made in accordance with the practices and policies of the Board and the approved establishments, grades and rates of pay. The Assessor shall have discretion in consultation with Moray Council's Head of HR and ICT Services as to the incremental salary point on which staff shall be paid within the approved salary scale for the post, subject to the existence of sufficient provision in the revenue budget.

4.7 Internal Audit

4.7.1 ~~The Internal Audit Manager of Moray Council Internal Audit, under the independent control and direction of the Treasurer, shall be required to carry out a continuous review and appraisal of the internal controls of the Board. and prepare such reports on these as may be required or appropriate. The findings from any audit work completed shall be discussed with the Assessor and the Treasurer as appropriate. An audit report detailing these findings, together with any conclusions, recommendations and action plans, shall be prepared for consideration by the Board.~~

4.7.2 Internal Audit shall have authority to:

- (a) enter at all reasonable times any Board premises or land.
- (b) have access to all records, documents and correspondence relating to any financial and other transactions of the Board.
- (c) require and receive such explanations as are necessary concerning any matter under examination.
- (d) require any employee of the Board to produce cash, equipment or any other Board property under his or her control.

4.7.3 ~~The Internal Auditor shall report direct to the Board in any instance where he or she deems it inappropriate to report direct to the Treasurer or Assessor.~~

4.7.4 ~~Upon receipt of a report by the Internal Auditor, the Assessor will respond within one calendar month.~~

4.8 Prevention of Fraud and Corruption

4.8.1 The Board has an established Anti Fraud & Corruption Policy.

4.8.2 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, equipment or other property of the Board or any suspected irregularity in the exercise of the functions of the Board, the Assessor shall immediately notify the Treasurer who shall in consultation with the Assessor take such steps as may be considered necessary by way of investigation and report to the Internal Audit manager. Alternatively, the Assessor shall immediately notify the Internal Audit Manager.

4.8.3 Any member of the Board or its staff discovering any suspected fraud or irregularity in financial transactions, shall immediately inform the Assessor and the Treasurer or the Internal Audit Manager.

4.9 Hospitality/Register of Gifts

4.9.1 The Assessor shall be entitled to extend hospitality appropriate to the Service up to £200 (excluding VAT) per occasion, providing that it can be met within existing budget. When hospitality is estimated to cost in excess of £200, written approval shall first be obtained from the Convener and details will be reported to the Board.

4.9.2 Gifts may only be accepted by employees provided that they fall within the terms of the HM Revenues and Customs, section 324 ITEPA 2003, which in essence limits the value of gifts to £250. Further to this, the Board's Anti-Fraud and Corruption Policy restricts acceptance of hospitality to a modest and proportionate light repast and gifts or other *ex gratia* payments to a maximum of £30. No gift given to an employee should be retained for personal use unless with the explicit written consent of the Assessor and any gift retained must be recorded on the Register of Gifts maintained by the Assessor subject to Local Government Standards.

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4.9.3 Gifts and hospitality received by an elected member as a consequence of their being a member of the Board should be included in the declaration of their own constituent local authority and published in accordance with the provision of that scheme.

5. FINANCIAL SYSTEMS AND PROCEDURES

5.1 Income

- 5.1.1 All fees and charges levied by the Board shall be reviewed annually by the Assessor and shall be reported to the Board.
- 5.1.2 It shall be the duty of the Assessor to ensure the proper recovery of all monies due to the Board. To this end, he or she shall ensure that proper financial and accounting arrangements are made for recording, collection, custody, control and disposal of cash.
- 5.1.3 Officers should not promote or accept payment by cash when alternative payment methods are available. In instances when payment by cash is unavoidable, any such payment shall be handled strictly in accordance with these Regulations: Moray Council Banking & Cash Handling Guidance and the Money Laundering Policy.
- 5.1.4- All receipt forms, books, tickets and other such documents shall be ordered and supplied to sections/offices with the approval of the Assessor, who shall require to be satisfied as to the arrangements for their control. No Officer shall give a receipt on behalf of the Board on any form other than an official receipt form or ticket. Each Officer shall arrange for registers to be kept of receipt forms, tickets, vouchers etc. under his/her control.
- 5.1.5 Any Officer receiving money on behalf of the Board shall without delay ensure that the payment is processed, including paying direct in to the Board's Bank account (held by Moray Council). No deduction may be made from such money save to the extent that the Treasurer may specifically authorise. Each Officer who receives money shall complete a corresponding income analysis sheet and forward it together with the bank pay-in slip counterfoil to Moray Council's Banking and Income section within the Payments section.
- 5.1.6 Income due to the Board, for work done, goods supplied or services provided and not paid for at the time, must be the subject of accounts being rendered. Officers must ensure preparation and issue of such accounts within one month of the agreed point of sale, and shall provide the Treasurer with such information as may be required in order to record and collect the amounts correctly.
- 5.1.7 In rendering invoices, Officers shall ensure Value Added Tax is applied at the appropriate rate. This is of importance in order to comply with statutory provisions and avoid the payment of penalties. Transactions involving joint ventures and land sales can be particularly complex, and in all such cases, advice shall be obtained from the Treasurer before proceeding.

- 5.1.8 The Treasurer shall be notified as soon as is practicable of all monies due to the Board and of all contracts, leases and other arrangements entered into, which involve the receipt of money by the Board, and the Treasurer shall have the right to inspect any documents in this connection as (s)he may require. In order to limit the Board's exposure to money laundering, cash (notes and coins) exceeding £500 in respect of any one transaction shall not be accepted.
- 5.1.9 All offices or establishments receiving income by post shall secure appropriate mail opening procedures, involving clear separation of duties wherever possible. All cheques and postal orders received shall be suitably "crossed" and a reference number recorded on the reverse side. A record of all payments received should be kept by the receiving office or establishment.
- 5.1.10 Personal cheques shall not be cashed out of money held on behalf of the Board.
- 5.1.11 Every transfer of official cash from one member of staff to another shall be evidenced in the records of the office concerned by the signature of the Officer receiving the funds. Arrangements shall be developed at each office to secure all income collected on behalf of the Board until such time as these funds are banked.
- 5.1.12 The Assessor, in consultation with the Treasurer, may write off irrecoverable debts up to a value of £1,000. An irrecoverable debt is one where there is no reasonable prospect of recovery and once formally written off, no active pursuit of the debt will normally be undertaken. An audit trail of information will be maintained.
- 5.1.13 Debts over £1,000 may only be written off after due consideration by, and approval of, the Board.
- 5.1.14 The Treasurer shall maintain a debt management procedure to secure effective recovery of all sums due to the Board. This procedure shall be applied for the recovery of unpaid invoice charges for work done or services provided by the Board. No debt due to the Council, once correctly established, shall be discharged otherwise than by payment in full or by the certification of the Treasurer that it is no longer economically viable to pursue.
- 5.1.15 The Treasurer shall act on advice from Moray Council's Head of Legal and Democratic Services, external debt collectors and/or Sheriff Officers when determining debts to be written off for accounting purposes. Details of debts written off in terms of this Regulation shall be retained for credit control purposes and to allow the debts to be pursued at any stage until they become time prescribed.

5.2 Authority to Incur Expenditure

- 5.2.1 The Assessor or his representative shall have authority to incur expenditure included in the approved revenue budget for the services for which he or she is responsible up to the level of the budget provision subject to 5.2.2 below.
- 5.2.2 Any authority to incur expenditure shall not extend to making payments in advance of delivery of goods or services or completion of works unless prior permission is obtained in writing from the Treasurer. A list of exceptions is as follows: insurance premiums, software licences, utilities and subscriptions.

5.3 Acquisition of Goods, Services or Works

- 5.3.1 The Board's arrangements for securing goods, services (including the use of Consultants) or works will follow Moray Council's procedures. These are set out in the separate Procurement Policy, Strategy and Procedure Notes (Procurement - interchange) ~~(as amended by the revised section 2 of the Procurement procedures, as set out in ANNEXE 1)~~ that form part of, and should be read in conjunction with, these Financial Regulations.
- 5.3.2 Any irregularities or suspected irregularities should be notified to the Assessor and the Treasurer or to the Internal Audit manager, under the Anti Fraud and Corruption Policy.
- 5.3.3 Where the Assessor is securing goods, services or works or arranging for the delivery of goods, services or works under a shared services arrangement or in partnership with another public body or bodies, the Assessor shall ensure that:
- the organisation leading the activity is clearly identified at the outset;
 - the procurement policy, strategy and procedural guidelines of the lead organisation shall apply;
 - an agreement which governs the relationship between the parties is in place, which includes reference to funding, performance monitoring and dissolution arrangements.
- 5.3.4 The Assessor will use the most efficient vehicle for the sourcing of goods, services or works, and utilise the Payments section (buying team) in accordance with the procurement guidance, which will assist users in the correct route to take for proposed purchases.
- 5.3.5 Sourcing of goods, service or works direct from a single supplier shall be permissible only where prior approval is sought and obtained from the Treasurer, the Assessor having clearly demonstrated that it is appropriate to do so; principally in circumstances where there is only one supplier of the goods, services or works required.
- 5.3.6 In circumstances where it is considered necessary to depart from the procedures in 5.3.1 to 5.3.5 above, the Assessor in liaison with the Treasurer

shall submit a report to the Board for approval, ensuring that Board Members are made aware of any associated risks.

5.4 Petty Cash Imprests

- 5.4.1 The Treasurer shall provide such imprests as (s)he considers appropriate for those Officers of the Board who may need them for the purposes of defraying petty cash and other expenses.
- 5.4.2 No income received on behalf of the Board may be paid into an imprest account, but must be banked or paid to the Council as provided for in terms of paragraph 5.1.4 above.
- 5.4.3 Payments from an imprest account shall be limited to minor items of expenditure and to such other items as the Treasurer may approve, and shall be supported by a receipted voucher to the extent that the Treasurer may require.
- 5.4.4 On no account shall any allowances or incidental expenses or subsistence payments be paid to staff from an imprest account, but shall be reclaimed through the travel and subsistence scheme in terms of paragraph 3.14 above.
- 5.4.5 Officers assigned responsibility for the petty cash account which they hold. On leaving the employment of the Council they shall be required to reconcile the petty cash account in conjunction with their line manager and the Budget Manager prior to leaving their post.

5.5 Staff Payments and Allowances

- 5.5.1 With the general exception of pensions to former employees, the payment of salaries, wages, compensations and other emoluments to all employees of the Board shall be made by the Treasurer.
- 5.5.2 Without the authority of the Board, the appropriate Conditions of Service shall apply to all staff.
- 5.5.3 Staff shall normally be appointed to the first incremental point of the salary scale for the post, taking account of the experience of the applicant where the Conditions of Service so require, except where the Assessor considers it appropriate to do otherwise, in consultation with Moray Council, Head of HR and ICT Services.
- 5.5.4 Alterations to rates of wages and salaries and to conditions of service of staff agreed by the relevant national negotiating bodies shall be applied from the effective date specified, subject to reference to the Board of any matter in which there is a discretion.

5.5.5 The Assessor shall have delegated authority to direct resources allocated by the Board within each Activity to the most efficient and appropriate method of delivering the defined Activity to meet the Boards priorities and policies, electoral registration officers and Boards statutory requirements. It follows that the Assessor shall have the authority to establish appropriate staffing arrangements to deliver services specified by Board.

5.5.6 Limitations in respect of changes to staffing arrangements will be as follows:-

- Must **NOT** exceed budget.
- Must comply with Board Policy and Procedure (particular reference is made to adherence to consultation arrangements with Staff and Unions).
- The following posts must be submitted to the Board:-
 - a) Alterations to the establishment, whether by way of increase or decrease, of posts graded on or above SCP (96) 41 (Grade 12).
 - b) Those posts which cannot be accommodated within existing budgets.
 - c) Those which Moray Council Head of HR and ICT Services or Treasurer otherwise believe require scrutiny by Board members.
- Any changes that do not require approval by the Board as mentioned above, will be notified to Moray Council, Head of HR and ICT Services and the Treasurer, or other such officers as may be nominated by the Treasure, subject to confirmation that budget is available for the changes proposed.

5.5.7 The Assessor shall notify the Treasurer and Moray Council Head of HR and ICT Services, as soon as possible and in the form prescribed by him or her, of all matters affecting the payment of such emoluments and, in particular:

- (a) appointments, resignations, dismissals, suspensions, secondments and transfers;
- (b) absences from duty for sickness or other reason, apart from approved leave;
- (c) absences from duty not covered by the appropriate medical certificate;
- (d) changes in remuneration, other than normal increments and pay awards and agreements of general application;
- (e) information necessary to maintain records of service for Superannuation, income tax, etc.

5.5.8 Appointments of all employees shall be made in accordance with the practices and policies of the Board and the approved establishments, grades and rates of pay.

5.5.9 All individuals employed by the Board under a contract of service shall be paid through the payroll system to ensure proper accounting for Income Tax and National Insurance.

5.5.10 All time records or other pay documents shall be in a form prescribed or approved by the Treasurer and shall be certified by or on behalf of the Assessor by an authorised officer and returned timeously to Moray Council's Head of Financial Services. The certifying officer must be satisfied that the claim is accurate, as failure to do so will impact on the employee being paid correctly and also ensure that:-

- employee information e.g. employee payroll number, is accurate;
- hours claimed have been worked;
- where applicable, allowances and overtime have been correctly calculated;
- summations are correct;
- the payment relates to the appropriate terms and conditions.

5.5.11 No consultant or agency supplied employees should be engaged without the approval of the Assessor.

5.5.12 Staffing establishment lists will be sent to the Assessor three times a year, (March, July and November). These should be checked for accuracy and any issues surrounding them should be notified immediately to the payroll section.

5.6 Travelling and Subsistence Allowances

5.6.1 All payments in respect of travelling and subsistence allowances shall be at rates determined from time to time by the Board and in accordance with the Board's scheme for the payment of travelling and subsistence allowances.

5.6.2 All claims for payment of travelling and subsistence allowances by staff shall be duly certified and submitted to the Assessor on the approved form, made up to the last day of each month accompanied by receipts for expenditure incurred, and submitted as soon as possible thereafter. The Assessor must maintain a list of signatories approved for this purpose, and shall action additions to or deletions from the list from time to time. This list shall be submitted to the Treasurer and will be copied to the Accountancy Section in Moray Council with any changes being notified immediately.

- 5.6.3 The certification by the authorised officers shall be taken to mean that the certifying officer is satisfied that the journeys have been efficiently planned and authorised, the mileage and expenses incurred are reasonable and agree with the journey description detailed, and the allowances are properly payable by the Board.
- 5.6.4 Payment to Members of the Board who are entitled to claim travelling or other allowances, will be made by the Director of Finance or Chief Financial Officer of the representative constituent authority upon receipt of the prescribed form duly completed, accompanied by receipts for expenditure incurred.
- 5.6.5 Reimbursement of expenses incurred more than three months prior to the date of receipt of the claim form for payments processing shall not be paid without the prior approval of the Assessor.
- 5.6.6 Requests by staff to travel out with the United Kingdom and Ireland on business where costs require to be met from the Boards budget must be considered and approved by the Board prior to the journey taking place. Once approved, notification is required to the Banking & Insurance section, for insurance purposes to ensure adequate cover is provided. Except in cases where a spouse or partner forms part of an approved group or delegation, their full travel costs and additional accommodation costs shall not be met by the Board. Any other arrangements shall be reported in advance and be approved by the Assessor.

The Grampian Valuation Joint Board

Anti Fraud and Corruption Policy

1.0 Statement of Intent

- 1.1 The Board aims to provide an excellent public service and needs to ensure propriety and accountability in all matters. The Board is determined to protect itself and the public from fraud and corruption and is committed to the rigorous maintenance of a strategy for the prevention and detection of fraud and corruption, which will provide a framework for:-

- encouraging fraud deterrence and prevention
- raising awareness of fraud and corruption and promoting their detection
- performing investigations and facilitating recovery
- invoking disciplinary proceedings and referral to Police and/or Procurator Fiscal
- monitoring, publishing and updating the policy and its related procedures and performance

2.0 Definitions

2.1 Fraud

The Board regards “fraud” as being any intentional distortion of financial statements and other records/information, and the misappropriation of assets. This may involve:-

- falsification or alteration of accounting records, other documents or information
- misappropriation of assets or theft
- suppression or omission of information from records or documents
- suppression or omission of the effects of transactions from records or documents
- recording transactions which have no substance
- wilful misrepresentation of information/transactions or of the Board’s state of affairs

2.2 Corruption

The Board defines the term “corruption” as the offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers.

Main areas of activity, which are susceptible to corruption may include:-

- contracts
- asset purchase
- information gathering activities required for statutory purposes

3.0 Elements of the Anti-Fraud and Corruption Strategy

3.1 The Board's Anti-Fraud and Corruption Strategy is based on a series of comprehensive and related elements designed to frustrate any fraudulent or corrupt act. These elements are:-

- i) Operating Culture
- ii) Deterrent and Preventative Measures
- iii) Fraud Response Policy and Detection & Investigation Procedure

3.2 Operating Culture

The Board is determined that the culture and tone of the organisation meets the expectations of the Committee on Standards of Public Life and is committed to the 7 Nolan Principles of objectivity, leadership, accountability, honesty, selflessness and integrity.

The Board expects Members and employees to lead by example in ensuring opposition to fraud and corruption, and in ensuring adherence to rules and regulations, and to National and Local Codes of Conduct, and that all procedures and practices are beyond reproach. The Board also requires all individuals and organisations with which it deals in any capacity to behave towards the Board with integrity and without intent or actions involving fraud or corruption.

Board employees and members of the public are important elements in the stance against fraud and corruption and are positively encouraged to raise any concerns they may have on these issues which impact on board activities using the Board's Confidential Reporting Policy, and Complaints Procedure.

Training and guidance is vital in maintaining the effectiveness of the Strategy for the Prevention and Detection of Fraud and Corruption and its general credibility. The Board supports induction and work related training to ensure that responsibilities and duties are regularly highlighted and reinforced and best practice is followed by all staff. The Internal Auditor (Moray Council), under the direction of the Treasurer, is required to investigate activities suspected of involving fraud and corruption. The Board therefore supports the training of audit staff through its Central Support Service Charge.

Where appropriate the Board co-operates with other local authorities and public sector bodies in the prevention, detection and investigation of fraud and corruption.

3.3 Deterrent and Preventative Measures

The Board's Standing Orders, Financial Regulations and Scheme of Delegation together with organisational procedures set out a framework for dealing with the affairs of the Board and all employees have a duty to comply with their provisions. Thorough documentation, including working manuals and operating procedures, is expected of all financial and operational systems and these must be issued to all relevant staff. Every effort must be made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls,

including the effective segregation of duties as appropriate, and to deter fraudulent activity and detect error.

The adequacy and appropriateness of the Board's financial systems is independently monitored and assessed by External Audit and the control and operating systems by Internal Audit. Senior management of the Board is committed to continuously improving the systems for which it is responsible, both through their own self-assessments and by positive responses to audit recommendations. Members must have regard to the National Code of Local Government Conduct and acceptance of their appointment includes an undertaking to be guided by the National Code.

Employee recruitment is required to be in accordance with procedures laid down by the Board and in particular written references must be obtained and other appropriate checks made to confirm the honesty and integrity of potential employees before appointments are made. Board employees are required to undertake Disclosure Scotland checks and are also expected to follow the Code of Conduct for employees and rules related to their ~~personal~~ professional qualifications.

As a basic principle, any offers of gifts or hospitality from a ratepayer, agent or member of the public, as a result of Board staff undertaking their duties, must be refused. It is recognised, however, that where staff are involved in lengthy negotiations and discussions, particularly with ratepayer agents, the refusal of an invitation to a light lunch or snack would seem churlish. The acceptance of such an invitation would be acceptable. Any invitation to more lavish entertainment should in the first instance be refused, ~~whereupon a Depute Assessor may be consulted.~~ No such invitation should be accepted without the prior written consent of the Assessor & ERO.

Any fee, commission, or any other payment collected or received by a Board employee, arising in any way from or through their Board employment, is not permitted to be retained except with the written consent of the Assessor & ERO. No gift or other *ex gratia* payment of more than £30 value may be retained by an employee of the Board, in accordance with the Code of Conduct for Employees. Board employees must declare any possible conflicts of interest which they may have while conducting the business of the Board and these must be noted in a register maintained for that purpose.

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3.4 Fraud Response Policy and Detection & Investigation Procedure

The Board will be robust in dealing with any financial malpractice, and can be expected to deal timeously and thoroughly with any person who attempts to defraud the Board or who engages in corrupt practices, whether they are Members, employees, suppliers or unrelated third parties. If Members of the Board or its staff discover any fraud or irregularity that affects the affairs of the Board or suspect that a fraud or irregularity may have taken place they must immediately tell the Assessor & ERO, and the Treasurer or Internal Audit manager (as appropriate). The Assessor & ERO, Treasurer or Internal Audit manager (as appropriate) will arrange for an investigation to be carried out where appropriate. An appointed senior officer who may be assisted by the Treasurer's Internal Audit Service will investigate all instances of fraud or irregularity in the Board.

The Board's Disciplinary Procedures will be used where the outcome of the investigation indicates improper behaviour on the part of employees. Where loss has been suffered through fraudulent activity, the Board will pursue the perpetrator for recovery, including taking appropriate legal action. The Assessor & ERO, [Treasurer of Internal Audit manager](#) will ensure that matters are reported to the Police if there are reasonable grounds for believing that a criminal offence has been committed.

~~The Assessor & ERO is responsible for the smooth running of this protocol and where clarification is required his decision will be final.~~

4.0 Review

- 4.1 The Board will periodically review current procedures and, where necessary, put in place a framework of systems and procedures to deter and investigate fraud and corruption. It shall ensure that any new arrangements are fair and are monitored and updated to keep pace with future developments in preventative, deterrent and detection techniques regarding fraudulent or corrupt activity.



REPORT TO: Grampian Valuation Joint Board on 23 August 2019

SUBJECT: Code of Corporate Governance

BY: The Assessor & ERO

1. Reason for Report

- 1.1 To seek approval for a revised Code of Corporate Governance that reflects the revised financial framework and introduction of a scheme of delegation.

2. Recommendation

- 2.1 The Board approve the revised Code of Corporate Governance.

3. Background

- 3.1 The Code of Corporate governance was originally approved in 2006 and significantly revised in 2017 to reflect developments in published advice on the governance arrangements for local government.
- 3.2 Since 2017 there has been no significant change to advice on governance arrangements.

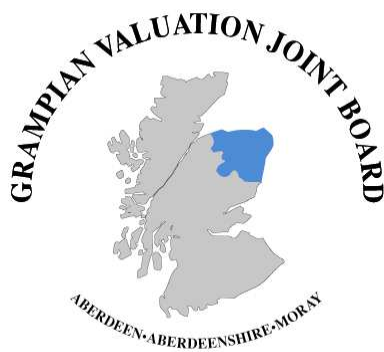
4. Current position

- 4.1 The advice and guidance published by CIPFA/Solace in 2016 continues to prevail along with the recommended governance framework against which local authorities, that include the Board, are recommended to test their own local arrangements for governance.
- 4.2 Compliance with the Code, monitoring of the organisation's effectiveness and plans for future changes are reported annually in the Governance Statement that is included in the Annual Accounts. It is therefore proposed to amend the Code at item 6.3 to reflect this reporting more explicitly.
- 4.3 It is proposed that item 6.4 of the Code is also revised to reflect advice from internal audit that the Code should be subject to ongoing review with reporting of material changes as they arise. Internal audit also advised that with this change, extending the formal review to three-yearly rather than annually would be appropriate.

5. Conclusion

- 5.1 The review of the Board's Code of Corporate Governance has resulted in minor amendments to the Code that the Board should consider for approval.

Author of Report: Ian H Milton



Grampian Valuation Joint Board

Code of Corporate Governance

| | |
|------------------------------------|--|
| Title | Code of corporate governance |
| Author | Ian H Milton (Assessor & ERO) |
| Approved by | |
| Date of approval | |
| Review frequency | |
| Next review completion date | June 2022 |

1 Introduction

- 1.1 The purpose of the organisation, comprising the Grampian Valuation Joint Board and the Assessor & ERO appointed by the Board, is to deliver lands valuation (non-domestic rates and council tax band allocation) and electoral registration services to the Grampian area.
- 1.2 The purpose of a code of corporate governance is to ensure that resources are directed in accordance with agreed policy and priorities, which in the case of this organisation are statute driven; that there is sound and inclusive decision-making; and that there is clear accountability for the use of the resources in order to achieve desired outcomes for stakeholders.

2 The Organisation's Mission

- 2.1 The mission is to provide equitable, customer focussed, high quality and professional lands valuation and electoral registration services for all its stakeholders

3 The Organisation's Objectives

- 3.1 In order to fulfil the mission we will -
 - Ensure our services are delivered in accordance with the law
 - Plan development and delivery of services in accordance with the principles of Best Value
 - Monitor and report performance levels to stakeholders
 - Integrate equalities issues within all aspects of our services
 - Ensure good governance in all aspects of our services
 - Seek to build on achievements to date

4 Scope

- 4.1 The Board was established in terms of The Valuation Joint Boards (Scotland) Order 1995 and is the valuation authority for Aberdeen City Council, Aberdeenshire Council and Moray Council. The Board is responsible for the provision of valuation assessment services for local taxation purposes.
- 4.2 Through an agreement to share services, the Board also provides electoral registration services for the same three constituent authorities.
- 4.3 The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 4.4 The Board is considered to be a local authority in terms of the Local Government etc. (Scotland) Act 1994 and has a duty to deliver continuous improvement as set out in the Local Government in Scotland Act 2003.

- 4.5 In discharging this overall responsibility, the Board is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its valuation and registration functions. This includes arrangements for the management of risk.

5 Delivery – members and officers

- 5.1 Board membership comprises 6 members appointed by Aberdeen City Council, 6 members appointed by Aberdeenshire Council and 3 members appointed by Moray Council.
- 5.2 The Board appointed a Convener, Depute Convener, Clerk and Treasurer. The role of the Clerk is to ensure the proper conduct of the board's business and that of the Treasurer is to ensure that the Board operates effective financial information and control systems and complies with all financial regulatory requirements.
- 5.3 To fulfil its operational role, the Board is responsible for the appointment of an Assessor, and deposes as appropriate, in terms of section 27 of the Local Government etc. (Scotland) Act 1994. In practice the Assessor and deposes manage the provision of lands valuation assessment services on a day to day basis, with the Board providing resources, a governance framework and a monitoring regime for financial and operational performance.
- 5.4 The Local Government (Qualifications of Assessors) (Scotland) Order 1995 requires the Assessor and deposes to be qualified chartered surveyors. The Lands Valuation Acts and the Local Government Finance Act 1992 require that these senior officials exercise their assessment duties wholly independently of the valuation authority or government, thus providing the taxpayer and wider citizenship along with local and central government with confidence in the integrity of the assessment basis, which is subject to the scrutiny of the local valuation appeal committees, the Lands Tribunal for Scotland and the Lands Valuation Appeal Court.
- 5.5 The Assessor is also appointed as the Electoral Registration Officer (ERO) for the Board's three constituent authorities. This too is a statutory position with the ERO and deposes appointed in terms of section 8 of the Representation of the People Act 1983. As in the case of the Assessor, the ERO is an independent statutory official and as such is personally liable for the registration service provided. The ERO's decisions are subject to the scrutiny of the Sheriff and the Registration Appeal Court, and ultimately the Supreme and European Courts.
- 5.6 The organisation has adopted the updated 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government' that was published in early 2016. This framework defines the principles for good governance in a broader local government context that can be used to compare and test local arrangements.
- 5.7 The seven principles of good governance are –
 - 1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
 - 2. Ensuring openness and comprehensive stakeholder engagement.
 - 3. Defining outcomes on terms of sustainable economic, social and environmental benefits.
 - 4. Determining interventions necessary to optimise achievement of intended outcomes.
 - 5. Developing the entity's capacity, including the capability of its leadership and

individuals within it.

6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

5.8 In the case of a Valuation Joint Board it is necessary to contextualise the framework given that the functions of the Assessor and Electoral Registration Officer (ERO) are wholly statutory in character and do not involve the wide ranging duties, discretions and community planning and partnership options that are a part of the comprehensive business of a local authority delivering a full range of council services.

5.9 Responsibility for lands valuation assessment and electoral registration duties are placed directly on the Assessor & ERO by the Scottish and Westminster parliaments. Implementation of these duties requires to be apolitical in character, subject always to the right of parliaments to vary the regime from time to time. The statutory determinations of the Assessor & ERO are subject to appeal to tribunals and courts rather than to the Board. The oversight role of the Board is therefore primarily administrative in character.

6 Governance framework

6.1 The governance framework comprises the systems, processes, cultures and values by which the Board and service delivery is directed and controlled; and the activities used to engage with the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective lands valuation assessment and registration services.

6.2 The Board and its officers are subject to a framework of local arrangements that include –

- GVJB Standing orders
- GVJB Code of conduct
- GVJB Code of Corporate Governance
- GVJB Scheme of Delegation
- GVJB Financial Regulations
- GVJB Equalities Mainstreaming

These principal documents set out the local arrangements for governance and operation of the organisation. These principal documents are supported by a wide range of supplementary policies and procedures that include complaints handling, confidential reporting (whistle-blowing), equalities outcomes, records management, personal development and health & safety.

6.3 Annual reporting will be made and published for –

- Compliance with the code and how the organisation's effectiveness has been monitored along with planned changes in a governance statement included within the Annual Accounts. (reported to the Board in August).
- Operational performance using the performance measures set nationally in addition to those agreed by the Board (reported to the Board in November).

6.4 The code itself will also be subject to review from time to time to ensure it reflects any

changes in statutory or other guidance and continues to support the effective delivery of services.

- 6.5 The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that the statutory requirements of the Assessor & ERO are met and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Board's mission; objectives and policies to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically. An opinion on the system of internal control is provided annually through an internal audit process conducted in line with Public Sector Internal Audit Standards.

7 Summary

- 7.1 The organisation's code of corporate governance identifies a structure of local policies and procedures that seek to ensure resources are directed effectively to achieve stakeholder desired outcomes. It is tested against the seven governance principles set out in the CIPFA governance framework. Progress towards achieving the governance principles is reported annually.

