



Grampian Valuation Joint Board

Friday, 24 August 2018

SUPPLEMENTARY AGENDA

The undernoted reports have been added to the Agenda for the meeting of **Grampian Valuation Joint Board** on **Friday, 24 August 2018** at **10:30**.

BUSINESS

- | | | |
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| 5a | Reports to those Charged with Governance 2017-18 | 5 - 38 |
| | Report by the Treasurer. | |
| 5b | Audited Accounts Year Ending 31 March 2018 | 39 - |
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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 Christian Allard (Member)
Councillor Charles Buchan (Member)
Councillor Alan Donnelly (Member)
Councillor Gordon Graham (Member)
Councillor Andy Kille (Member)
Councillor Ron McKail (Member)
Councillor John Reynolds (Member)
Councillor Michael Roy (Member)
Councillor Sandy Stuart (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



REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 24 AUGUST 2018

SUBJECT: REPORTS TO THOSE CHARGED WITH GOVERNANCE 2017/18

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 2018.

2. RECOMMENDATION

- 2.1 It is recommended that the Board considers and notes the covering memo and draft Annual Report on the 2017/18 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
Ref:	

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

24 August 2018

Grampian Valuation Joint Board Audit of 2017/18 annual accounts

Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to 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 24 August 2018. 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 2017/18 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 governance and transparency) 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 2017/18 Annual Audit Plan.
4. This 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. We have no unadjusted misstatements to report.

Fraud, subsequent events and compliance with laws and regulations

6. 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

7. 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.
8. 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.

APPENDIX A: Proposed Independent Auditor's Report

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

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2018 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 and Cash Flow Statement, and notes to the financial statements, 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of Grampian Valuation Joint Board as at 31 March 2018 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 2017/18 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)). 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 am independent of the body 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. 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 body'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.

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 body'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 achieve 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.

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; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

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

24 August 2018

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

24 August 2018

Dear Maggie

Grampian Valuation Joint Board Annual Accounts 2017/18

1. This representation letter is provided about your audit of the annual accounts of Grampian Valuation Joint Board for the year ended 31 March 2018 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 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 2018.

General

3. Grampian Valuation Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 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 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 2017/18 (the 2017/18 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 2018 and the transactions for 2017/18.

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 2017/18 accounting code where applicable. Where the 2017/18 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 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 2018 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 2018 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 2018.
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 2018 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 2018 of which I am aware where the conditions specified in the 2017/18 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 2018. 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 2018 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 2018 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 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 2017/18 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 disclosed in the financial statements in accordance with the 2017/18 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 2017/18 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 2018, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

- 29. All events subsequent to 31 March 2018 for which the 2017/18 Code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Lorraine Paisey
Treasurer

Grampian Valuation Joint Board

DRAFT 2017/18 Annual Audit Report



 **AUDIT SCOTLAND**

Prepared for the Grampian Valuation Joint Board and the Controller of Audit
24 August 2018

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

2017/18 annual report and accounts

- 1 The Joint Board's financial statements give a true and fair view of its state of affairs and of its income and expenditure, and have been properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2017/18.
- 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 guidance.

Financial sustainability

- 3 The Joint Board has effective arrangements in place for financial management. An overspend of £56,000 was reported against the 2017/18 budget which was funded from reserves.
- 4 Budgets are prepared and approved on an annual basis. The Joint Board has recognised the need to improve its financial planning and is working towards the development of a sustainable four-year plan. Limited progress has, however, been made with this since our last Annual Audit Report.
- 5 The Joint Board is facing a number of challenges in maintaining a sustainable financial position in the medium to longer term. These include 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).

Governance and transparency

- 6 Overall, the Joint Board has appropriate arrangements in place to support good governance, accountability and scrutiny. Limited progress was made, however, with the review of key governance documents during 2017/18.
- 7 An external assessment of internal audit has not been undertaken since the introduction of the Public Sector Internal Audit Standards and so internal audit can't demonstrate compliance with these standards. A self-assessment has recently been completed but the results have yet to be reported.
- 8 Arrangements for identifying and reporting related party transactions with elected members and senior officers require improvement. In addition, senior officers should be asked to complete a register of interests disclosure.
- 9 The Joint Board is open and transparent in the way it conducts its business. The public can attend meetings of the Joint Board and minutes of the meetings are available on the Joint Board's website.

Introduction

1. This report summarises the findings from our 2017/18 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 26 January 2018 meeting of the Joint Board. This report comprises the findings from:
 - an audit of the Joint Board's annual accounts
 - consideration of Joint Board's arrangements for achieving financial sustainability and for governance and transparency.
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 governance and transparency.
5. Grampian Valuation Joint Board has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with the accounts direction from Scottish Ministers. The Joint Board is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), and guided by the auditing profession's ethical guidance.
7. As public sector auditors we give independent opinions on the annual accounts and conclusions on securing financial sustainability and governance and transparency. In doing this, we aim to support improvement and accountability.
8. 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.
9. 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.

10. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and, therefore, the 2017/18 audit fee of £7,080 set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to Grampian Valuation Joint Board by providing insight and foresight on financial sustainability, governance and transparency and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the Joint Board promote improved standards of financial planning, better management and decision making.

12. This report is addressed to the Joint Board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts



Main judgements

The Joint Board's financial statements give a true and fair view of its state of affairs and of its income and expenditure, and have been properly prepared in accordance with the Code of Practice on local authority accounting in the UK 2017/18.

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 guidance.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2018 were approved by the Board on 24 August 2018 (TBC). We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the Management Commentary, the 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 guidance.

15. Additionally, we have nothing to report in respect of misstatements in the other information presented with the financial statements, the adequacy of accounting records or the information and explanations we received.

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

Submission of the annual accounts for audit

16. We received the unaudited annual accounts on 28 May 2018 in line with our agreed audit timetable.

17. The unaudited annual accounts 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

18. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

19. 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.

20. We carried out our initial assessment of materiality for the annual accounts during the planning phase of the audit. On receipt of the unaudited annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate with only minor upward adjustments required based on actual gross expenditure for the year. There was no change in our reporting threshold. The resulting materiality figures are summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£46,000
Performance materiality	£33,000
Reporting threshold	£2,000

Source: Audit Scotland

How we evaluate misstatements

21. 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. All identified misstatements were adjusted by management and there are, therefore, no unadjusted misstatements to report.

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised 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.

23. The findings include our views about significant qualitative aspects of the board's accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the annual report and accounts, accounting estimates and judgements and the effect of any unusual transactions on the financial statements.

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. 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 (£4.497 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 2017/18 financial statements on the going concern basis.</p>
<p>2. Accounting for support services</p> <p>Moray Council charges the Joint Board for the provision of support services including the preparation of the annual accounts. These costs were not processed until after the year end and so should have been included in creditors but had been incorrectly offset against the cash and cash equivalents figure in the balance sheet. As a result, cash and cash equivalents and creditors were both understated in the unaudited accounts by £56,000.</p>	<p>Management agreed to amend the accounts to correct this misstatement.</p>
<p>3. Cash flow statement</p> <p>Net cash flows from investing activities and adjustment for non cash movements were overstated by £18,000 in the unaudited accounts due to the incorrect treatment of capital creditors.</p>	<p>Management agreed to amend the accounts to correct this misstatement.</p>

Source: Audit Scotland

Follow up of prior year recommendations

24. We have followed up progress in implementing the actions agreed as a result of the recommendations included in our 2016/17 annual audit report (see paragraphs 31 to 35 and 38 to 40 and [Appendix 1](#)). Progress in implementing both the recommendations has been limited during 2017/18. [Appendix 1](#) includes revised responses and timescales which have been agreed with management.

Part 2

Financial sustainability



Main judgements

The Joint Board has effective arrangements in place for financial management. An overspend of £56,000 was reported against the 2017/18 budget which was funded from reserves.

Budgets are prepared and approved on an annual basis. The Joint Board has recognised the need to improve its financial planning and is working towards the development of a sustainable four-year plan. Limited progress has, however, been made with this since our last Annual Audit Report.

The Joint Board is facing a number of challenges in maintaining a sustainable financial position in the medium to longer term. These include 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).

Financial performance in 2017/18

25. The Joint Board's net operating expenditure in 2017/18 was £4.095 million compared to budgeted net expenditure of £4.039 million, an overspend of £56,000 which was funded from reserves. The majority of this overspend relates to lower than anticipated government grant for additional costs relating to individual electoral registration (£57,000).

26. The net operating expenditure (£4.095 million) differs from the net cost of services disclosed in the comprehensive income and expenditure statement of £4.455 million by £360,000. 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.

27. Note 7 to the accounts reconciles the figures in the budget outturn report to the figures in the comprehensive income and expenditure statement (note: £2,000 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.

28. As highlighted in [Exhibit 3](#), the Joint Board's balance sheet as at 31 March 2018 was in a net liabilities 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.

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.

Reserves

29. 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.

30. As at 31 March 2018, the Joint Board had a General Fund balance of £153,000 (£209,000) and a Capital Fund balance of £55,000 (£73,000). 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.

Financial planning

31. The Joint Board's budgets are prepared and approved on an annual basis and include an indicative budget for the following year. Last year 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.

32. Scenario planning is particularly important when future Scottish Government funding is not known. Local government bodies should plan for a range of scenarios so they are prepared for different levels of funding and income. The majority of the Joint Board's income comes from constituent authorities who are facing reductions to their government funding. To date, the Joint Board has received a grant from the Cabinet Office to cover the additional costs of Individual Electoral Registration. Going forward, the amount of this funding is uncertain, although the Cabinet Office has indicated that the funding will be available until 2019/20.

33. The Treasurer has recognised the need to improve the Joint Board's financial planning and, in response to our 2016/17 recommendation, 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 budget was set in January 2018. The budget report would also consider different scenarios for the core activities of the Assessor's service and the impact these would have on the requisitions from constituent authorities.

34. Progress with implementing this action has been limited during 2017/18. An annual budget was prepared for 2018/19 with indicative figures for 2019/20. Scenario planning was used to a limited extent to model the impact of different pay awards (from 1.5% to 2.8%) and government grant in respect of individual electoral registration (IER) (from 2016/17 level to 2/3 of 2016/17 level).

35. 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 4

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.

2018/19 budget

36. The Joint Board approved its 2018/19 budget in January 2018. The budget was set at £4.292 million, an increase of £0.253 million (6.3%) on the 2017/18 budget. The latest budget monitoring report, as at 30 June 2018, shows an underspend against the budget to date of £45,000. A detailed estimated outturn statement will be reported to the Joint Board meeting in October 2018.

37. Indicative figures were also included for 2019/20 and these show that Joint Board gross expenditure is forecast to rise by a further £90,000 (2%) in 2019/20. Employee costs now account for 76% of the Joint Board's expenditure. It is likely that the funding of local government bodies will continue to contract over the medium term. In common with other local government bodies, the Joint Board will need to make difficult decisions to ensure the sustainability of the service in the medium to longer term

Part 3

Governance and transparency



Main judgements

Overall, the Joint Board has appropriate arrangements in place to support good governance, accountability and scrutiny. Limited progress was made, however, with the review of key governance documents during 2017/18.

An external assessment of internal audit has not been undertaken since the introduction of the Public Sector Internal Audit Standards and so internal audit can't demonstrate compliance with these standards. A self-assessment has recently been completed but the results have yet to be reported.

Arrangements for identifying and reporting related party transactions with elected members and senior officers require improvement.

The Joint Board is open and transparent in the way it conducts its business. The public can attend meetings of the Joint Board and minutes of the meetings are available on the Joint Board's website.

Governance arrangements

38. Members and management of the Joint Board are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

39. We reviewed the Joint Board's governance arrangements and concluded that effective overarching and supporting governance arrangements are in place to provide an appropriate framework for organisational decision making.

40. Last year we reported that a number of key governance documents required to be reviewed to ensure that they were up to date and reflected good practice. In response, the Assessor developed a timetable for the review of these policies but progress against this has been limited during 2017/18. We also noted that some policies (including IT policies) are not scheduled for review and update until 2020.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.



Recommendation 3

Governance documents should be reviewed regularly to ensure that they are up to date and reflect best practice.

Annual governance statement

41. 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.' We have been advised that plans are in place to introduce a more formalised assurance process. We will follow up progress with this as part of our 2018/19 audit.

42. The Annual Governance Statement sets out the key challenges facing the Joint Board in 2018/19. These include responding to government plans to reform non-domestic rates, implementing the new General Data Protection Regulations with effect from 25 May 2018, and working towards an efficient system of individual electoral registration.

43. 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.

Internal Audit

44. Internal audit provides senior management and elected members with independent assurance on the Joint Board's overall risk management, internal control and corporate governance processes.

45. The Joint Board's internal audit function is provided by Moray Council's internal audit team. As part of our Moray Council audit we reviewed the internal audit function and noted that an external assessment against the Public Sector Internal Audit Standards (PSIAS) had not been undertaken since the introduction of the PSIAS on 1 April 2013.

46. The PSIAS requires that an external assessment take place at least every five years and so internal audit have not complied with this requirement. We have been advised that an external assessment will be undertaken in September 2018. The Internal Audit Manager recently completed a self-assessment of the internal audit function but has yet to report the results of his review. We will undertake a further review of internal audit as part of our planning for the 2018/19 audit.



Recommendation 1

An external assessment of the internal audit function against the Public Sector Internal Audit Standards should be undertaken as a matter of urgency and the results reported to the Joint Board.

47. We adopted a substantive approach to the audit of the Joint Board in 2017/18 and so did not place any formal reliance on internal audit's work.

Arrangements for maintaining standards of conduct

48. The 2017/18 Code requires that ‘authorities shall identify related party relationships and transactions, identify outstanding balances between the authority and its related parties, and identify the circumstances in which disclosures are required, in accordance with IAS24 Related Party Disclosures except where adaptations to fit the public sector are detailed in the Code.’ This applies to all chief officers, elected members and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.’

49. As part of the final accounts process, members are requested to complete and submit returns in order to ensure the financial statements adequately disclose the necessary related party transactions. 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.

50. We also reviewed the arrangements for the maintenance of registers of interests for Joint Board members and noted that the Joint Board relies on the registers of interests maintained by the constituent bodies. Review of the Joint Board members’ registers of interests 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.



Recommendation 2

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.

Transparency

51. Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Joint Board is taking decisions and how it is using resources such as money, people and assets. Citizens should be able to hold the Joint Board to account about the services it provides.

52. Overall, we concluded that the Joint Board conducts its business in an open and transparent manner. Members of the public can attend meetings of the Joint Board, and minutes and supporting papers are available on the Joint Board’s website. The website also allows the public to access a wide range of information about the service, including corporate policies, performance reports and the annual accounts which include a management commentary providing details of performance against budget, information on the use of reserves and the risks and uncertainties facing the Joint Board.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<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>An external assessment will take place as part of the programme organised by the Scottish Local Government Chief Internal Auditors Group to ensure compliance with the PSIAS across Scotland. The assessment has been timetabled for September 2018.</p> <p>Responsible officer:</p> <p>Internal Audit Manager</p> <p>Agreed date:</p> <p>September 2018</p>
2	<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>Procedures will be reviewed, incorporating senior officers, and Board members will be reminded of their responsibility in this regard.</p> <p>Responsible officer:</p> <p>Assessor & ERO and Treasurer</p> <p>Agreed date:</p> <p>March 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
Follow up of prior year recommendations			
3	<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>Code of Corporate Governance was reviewed in August 2017.</p> <p>Code of Conduct was reviewed by HR in 2017 and the Management Team is schedule to review and approve the revised Code in September 2018. Only minor changes have been made to the previous Code.</p> <p>Anti-fraud and corruption policy is scheduled for review in 2018</p> <p>Confidential Reporting Policy is scheduled for review in 2018</p> <p>Contingencies Plan is scheduled for review in 2018</p> <p>Scheme of delegation was implemented in August 2017.</p> <p>IT policies are scheduled for review in 2020. These are routine in nature and relate to user behaviour. They meet current PSN requirements and our systems are regularly tested in order to attain our IT security accreditation. A report on the government's Cyber Security initiative has been considered by the Management Team and work will continue on this during 2018/19.</p> <p>Responsible officer: Assessor & ERO</p> <p>Revised dates: as above</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
4	<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>A report showing indicative financial plans for different scenarios and setting out the operational issues facing the Assessor & ERO will be prepared for the Board meeting in October 2018. That will be used to underpin the budget paper for 2019/20, which will incorporate a first draft medium term (5 years) financial strategy.</p> <p>Responsible officer:</p> <p>Treasurer and Assessor & ERO</p> <p>Revised date:</p> <p>January 2019</p>

Appendix 2

Significant audit risks identified during planning

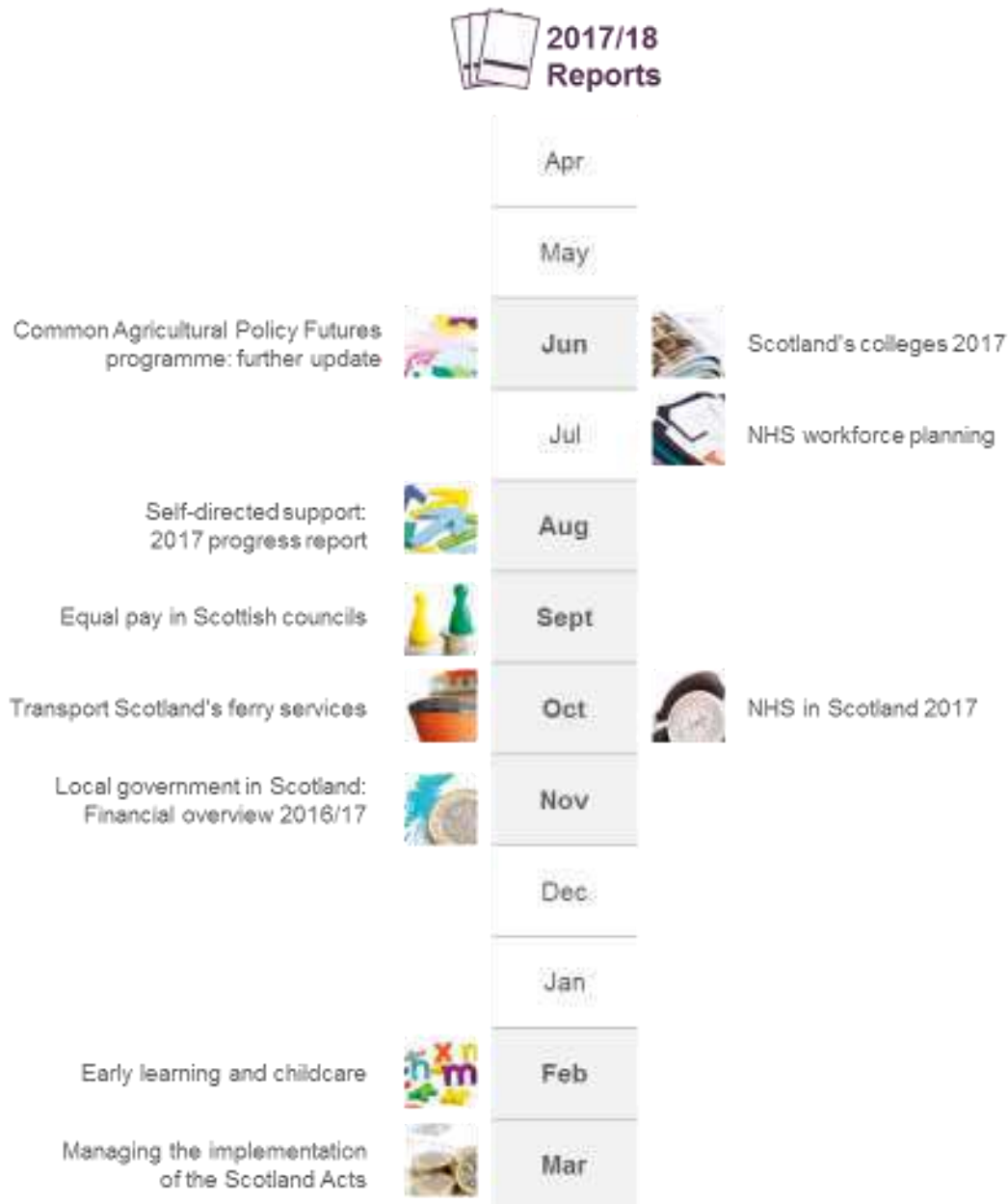
The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating to our wider 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 in order 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. Substantive testing of transactions after the year end to confirm that expenditure and income have been accounted for in the correct financial year.	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 included in the annual accounts. This subjectivity represents an increased risk of misstatement in the accounts.	Completion of a 'review of the work of an expert' file in accordance with ISA 500 for the professional actuary. 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 Changes in key finance staff The Principal Accountant responsible for the preparation of the annual accounts plans to retire at the end of March 2018. There is a risk that appropriate arrangements are not put in place to ensure a smooth transition during the accounts preparation and audit processes.	Clarify the arrangements for the preparation of the 2017/18 annual accounts. Confirm arrangements for regular and final clearance meetings during final accounts audit process.	A new Principal Accountant was appointed to oversee the preparation of the accounts and the same finance staff were involved in their preparation in 2017/18 and 2016/17. Regular meetings and discussions were held with key staff throughout the audit process and audit queries were answered promptly.

Audit risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>4 Financial sustainability</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>Review the financial strategy and framework and comment on financial sustainability in the annual audit report.</p>	<p>As noted in Part 2 of this report, progress with the development of medium to longer term financial planning has been limited during 2017/18. Some scenario planning was included in developing the 2018/19 budget.</p> <p>Refer Appendix 1, no.4</p>
<p>5 Governance and transparency</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 Conduct (last reviewed 2006) • Anti-Fraud and Corruption Policy (last reviewed 2009) • Confidential Reporting (Whistleblowing) Policy (last reviewed 2008) • Contingencies Plan (last reviewed 2010). • IT policies (last reviewed 2013) <p>There is a risk that existing governance arrangements are not up to date and/or do not reflect good practice.</p>	<p>Monitor progress against the timetable and comment on the governance arrangements in the annual audit report.</p>	<p>As noted in Part 3 of this report, progress with the review and update of key governance documents has been limited during 2017/18. Reviews of all of the documents listed opposite have still to be completed at the time of writing this report.</p> <p>Refer to Appendix 1, no. 3.</p>

Appendix 3

Summary of national performance reports 2017/18



Grampian Valuation Joint Board

DRAFT 2017/18 Annual Audit Report

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REPORT TO: GRAMPIAN VALUATION JOINT BOARD ON 24 AUGUST 2018

SUBJECT: AUDITED ANNUAL ACCOUNTS FOR YEAR ENDING 31 MARCH 2018

BY: TREASURER TO THE BOARD

1. REASON FOR REPORT

- 1.1 To submit the audited Annual Accounts for the financial year ending 31 March 2018 to the Board for consideration and approval.

2. RECOMMENDATIONS

2.1 It is recommended that the Board:-

- (a) approves that the Annual Accounts are signed, having regard to the Annual Report from the external auditor considered earlier at this meeting; and
- (b) notes the deficit of £56,000 for 2017/18.

3. 2016/17 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 2017/18 is attached as **APPENDIX I**. The Independent Auditor's report on pages 69 to 72 of the Accounts, gives an unqualified opinion, which means that the financial statements give a true and fair view of the Board's financial position for 2017/18.
- 3.3 The audited Annual Accounts have been amended to reflect the timing of the lead authority charge for support services, which takes place in April. There is no impact on the General Fund Balance. On the Balance Sheet, cash and cash equivalents and creditors are each increased by £56,000. There were no other adjustments to the accounts.
- 3.4 The Auditor's Report to the Board and the Controller of Audit is the subject of a separate report to this meeting. The report confirms that there are no unadjusted misstatements in the accounts to report to those charged with governance.

4. CONCLUSION

- 4.1 The Annual Accounts presented for approval have an unqualified audit opinion. The Board incurred a deficit of £56,000 in 2017/18. This deficit was met from reserves, leaving a balance on the General Fund of £153,000.**

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

AUDITED ACCOUNTS



**GRAMPIAN
VALUATION
JOINT BOARD**

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2018**

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



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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, an independent statutory official, in partnership with the Grampian Valuation Joint Board.

The priorities for 2017/18 were

- Complete and accurate registers of electors for the Scottish local government elections of 4 May 2017 and the extraordinary UK Parliamentary General Election (UKPGE) held on 8 June 2017;
- Conduct a full household canvass under the individual electoral registration (IER) regime;
- Respond to enquiries following the 2017 general revaluation of all non-domestic properties;
- Value all shooting rights and deer forests following the removal of the 1995 exemption;
- Publish revised registers by 1 December 2017;
- 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 & ERO delivering the specialised professional services of valuation, assessment and registration from offices in Aberdeen, Banff and Elgin.

The Assessor & 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 2017/18 the organisation met all the demands placed upon it in terms of valuation assessment and registration, against a background of sustained intense electoral activity, with the UKPGE being the seventh major electoral event in a continuous period of 37 months, and the overhead of supporting enquiries to the revaluation of all non-domestic properties in 2017 and the addition of over 2,000 shootings subjects to the valuation roll.

The principal risks and uncertainties 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 2017/18. On 18 April the Prime Minister surprised many by announcing that an extraordinary UK Parliamentary General Election (UKPGE) would take place on 8 June and on 22 August the Scottish Government's appointed Barclay Review Group published its 30 recommendations for modernising and improving non-domestic rates that included the future structure of property value assessment services.

A fair review of the business

In terms of our priorities –

Complete and accurate registers of electors for the Scottish local government elections of 4 May 2017 and the extraordinary UK Parliamentary General Election held on 8 June 2017;

The Scottish local government elections were the second elections where 16 and 17 year olds could vote as a matter of course. The 2016/17 management commentary observed that whilst there is greater certainty to the election calendar as a result of the establishment of fixed terms for parliaments, the experience of 2016 where the service encountered an unplanned extension to the registration application deadline for the EU referendum following a national system failure, stood the service in good stead for 2017 when on the 18 April the Prime Minister unexpectedly announced that an UKPGE would take place on 8 June.

MANAGEMENT COMMENTARY (continued)

A fair review of the business (continued)

Our publicity and engagement activities resulted in a year on year increase in 16 and 17 yr olds being registered to vote with 10,007 registered to vote on 4 May 2017 compared to 9,186 registered for 5 May 2016 Scottish Parliamentary elections. The Electoral Commission's report on the 2017 Scottish local government elections was that they 'ran smoothly' and that this was 'a testament to the significant efforts of the electoral community'. The Commission's subsequent report into the UKPGE concluded that the election was 'well run' and identified areas where registration or returning officer errors had been made – none of which were in Scotland.

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

The canvass of 279,165 households achieved a return rate of 83% by 1 December 2017. This was an improvement on the corresponding return rate of 79% as at 1 December 2016. We continued to chase up non-returns and by 31 March 2018 the return rate had risen to 86%. 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. Automated responses are more efficient as they do not require back-office processing.

Respond to enquiries following the 2017 general revaluation of all non-domestic properties;

The 2017 revaluation had a significant impact on ratepayers in the North East and the volume of enquiries and appeals was 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. The service responded to the increased sensitivity and continued with a high profile strategy of media engagement and presentations at public events to ensure that stakeholders could appreciate the rationale behind the revaluation including what issues were within scope for an appeal against a revaluation rateable value. In this regard the slowdown in markets is out of scope. A significant decision published by the Lands Valuation Appeal Court in March 2018 supported the stance of the Grampian Assessor and added clarity to the law concerning changes in the economy.

Value all shooting rights and deer forests following the removal of the 1995 exemption;

Since the exemption of shooting rights from non-domestic rates in 1995 there has been no definitive all-Scotland data source that would provide the location and owner/occupier information for shooting rights. Since the exemption was removed by the Land Reform Act in 2016, Assessors have been working closely with national agencies such as SNH to obtain address data and local bodies such as branches of the National Farmers Union and other stakeholders to ensure that the sector is fully engaged with the return of shootings to the valuation roll. A total of 2,359 new entries were added to the valuation rolls in Grampian with a combined value of £2.47M.

Publish revised registers 1 December 2017;

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 2017 registers that is due to be published in May 2018. Meantime, there has been no indication from the Commission that we have not met the performance standards.

MANAGEMENT COMMENTARY (continued)

A fair review of the business (continued)

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 8% with 4,619 assessments in 2017/18 compared to 4,267 for the previous year. In both domestic and non-domestic categories we did not achieve the targets of 94% of new dwellings being banded in the 90 day timeframe nor 77% of amendments to the valuation roll within the same 90 day timeframe. The corresponding percentages are 91% and 65%. The valuation roll performance threshold was increased from 60% to 77% for 2017/18 to reflect the release of the resource overhead on completion of the revaluation during 2016/17. The impact of the addition of shootings to the valuation roll was however underestimated with 2,359 new entries for shootings that were added to the valuation roll during 2017/18 being commensurate with the entire update to the valuation roll during 2017/18 of 2,619 properties (excluding shootings).

In overall terms the organisation met its priorities for 2017/18. It delivered registers and the related absent voting records for the Scottish local government elections and the unexpected UK parliamentary general election whilst adding over 2,000 entries for shootings to the valuation roll during 2017/18 and supporting ratepayers in understanding the rationale behind the 2017 revaluation against a sensitive and difficult economic background. Meantime it continued to deliver routine business as usual canvass, rolling registration, running roll and council tax update. The organisation has shown itself to be capable of responding and delivering.

Future developments

The priority on the non-domestic side of the organisation will be to dispose of all appeals prior to the statutory deadline of 31 December 2020, whilst at the same time preparing for the 2022 revaluation and the move to triennial revaluations. To deliver the 2022 and 2025 revaluations we will need to review our processes to maximise efficiencies and reflect the changes brought about through NDR reform that may impact on our council tax domestic property assessment workflows too.

We are in the process of replacing our electoral registration software during 2018/19 and anticipate further reform of electoral registration law along with canvass reform for 2020.

The General Data Protection Regulations herald further developments in the data governance and protection framework that will help shape our own information management arrangements during 2018/19 and beyond.

NDR reform and electoral reform both feature relatively short timelines but also involve significant unknowns at this stage in the process.

MANAGEMENT COMMENTARY (continued)

Future developments (continued)

To meet the challenges of these operational reforms and increasingly robust regulatory frameworks in the constrained resource environment dictates that the organisation will need to be open-minded and agile.

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 & 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 2017/18 is focussing on qualitative performance monitoring in preference to target-based quantitative indices. This reflects the concerns expressed above regarding reliance on quantitative indicators.

Financial Performance for 2017/18

The public sector in Scotland continues to face severe financial pressures. The main challenge in preparing the 2017/18 budget was the request from the constituent authorities to continue to achieve savings. With employee costs representing over 77% of the revenue expenditure budget, there was little scope to make efficiencies without impacting on the level of service. The 2017/18 budget approved in January 2017 introduced a Vacancy Management budget provision, which took into account the vacant posts at that time and was intended to absorb any variance created by vacancies. Despite inflationary and operational pressures in some areas of the budget, some efficiencies in working practices were also reflected and the 2017/18 revenue budget decrease compared to 2016/17 was 3.7% in cash terms.

At the meeting of the Board on the 27 January 2017, the revenue budgeted net expenditure for 2017/18 was approved at £4.039m (2016/17 £4.203m).

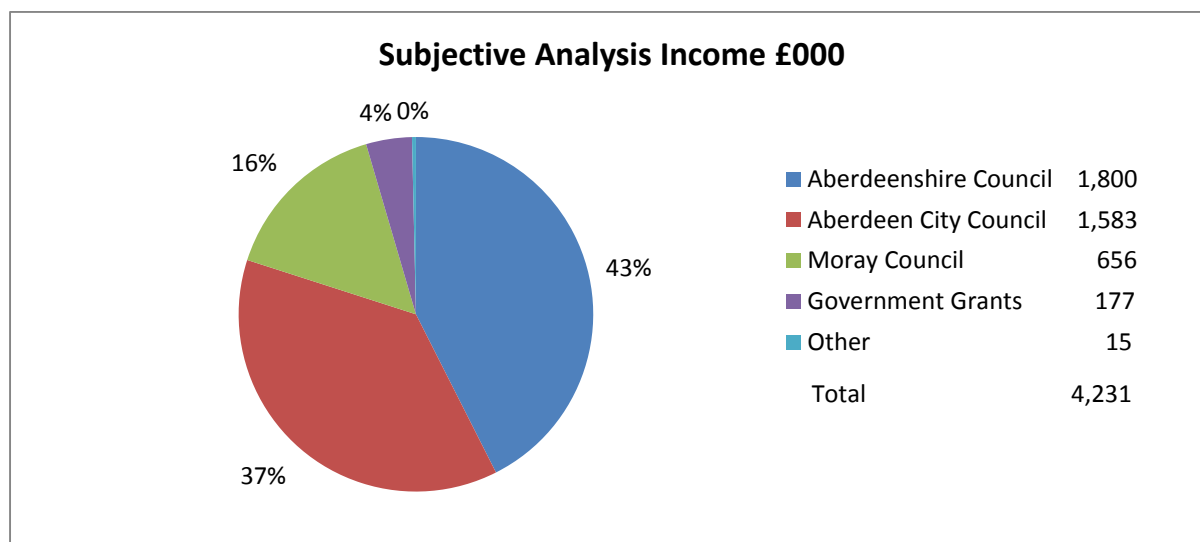
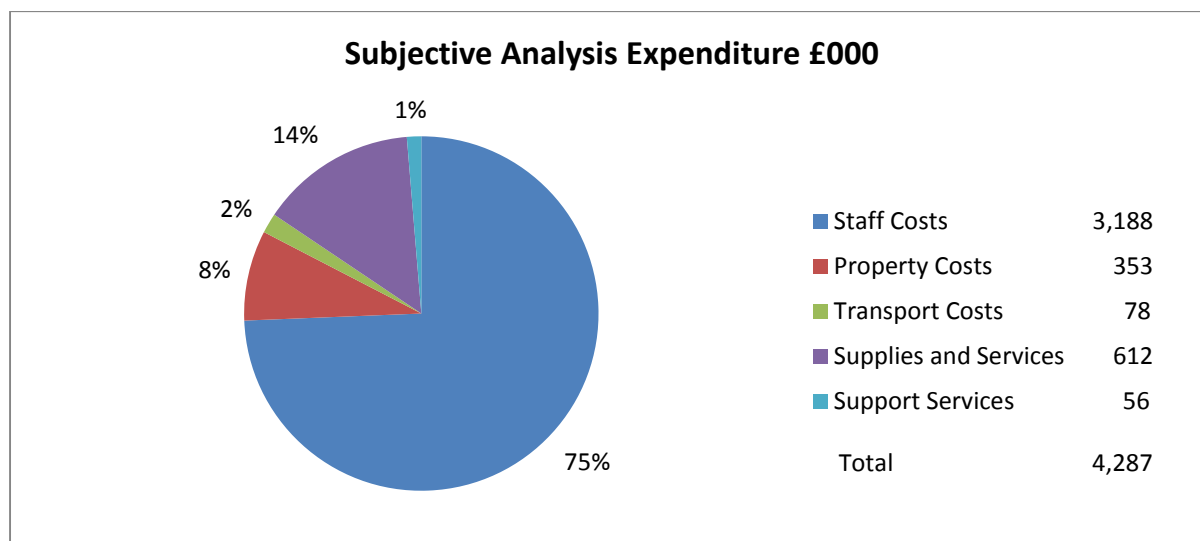
The actual net expenditure was £4.095m (2016/17 £3.968m) resulting in an overspend of £0.056m for the year which was funded from the General Fund Reserve, reducing this to £0.153m (2016/17 £0.209m).

The Board approved filling vacancies for operational reasons resulting in an overspend against the overall budget including vacancy provision. Property costs had an overspend against budget due to the renegotiation of the service charge for Woodhill House, and the charging of Non Domestic Rates direct to the Board instead of being all inclusive in the service charge resulting in an increase in costs. Supplies and Services expenditure was under budget on postages and IT maintenance and support. Valuation Appeals costs were over budget as a result of Non Domestic Rate revaluations. The Individual Electoral Registration (IER) government grant was budgeted at the previous year's amount of £208,000 as the notification hadn't been made when the budget was set. The actual amount allocated by the government was £151,000. Further UK government funding of £26,000 was received during the year.

MANAGEMENT COMMENTARY (continued)

Financial Performance for 2017/18 (continued)

The Comprehensive Income and Expenditure Statement shows a deficit of £0.575m on the provision of services for the year. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.495m and depreciation totalling £0.024m, the net transfer from the General Fund is £0.056m.



MANAGEMENT COMMENTARY (continued)

Financial Performance for 2017/18 (continued)

The table below shows a summary of the figures for the main variances between actual and budget for the year to 31 March as explained on Page 5.

2016/17		2017/18
£000		£000
106	Staff Costs	(26)
(22)	Property Costs	(25)
13	Transport Costs	(9)
80	Supplies and Services	31
37	Overtime working - Revaluation	-
21	Income	(27)
235	Net Underspend/ (overspend) Against Budget	(56)

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. 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 & ERO is seeking to mitigate such risk and uncertainty through partnership working via the SAA and also external agencies. He is President of the SAA and a member of the Electoral Management Board for Scotland. He sits on the government's Barclay Advisory Implementation Group and is a member of the RICS local taxation group and the Institute of Revenues Rating and Valuation. He also works with CoSLA, the Scottish Government and the UK Government, and has given evidence to the Barclay Commission and the Local Government and Communities Committee in the last 12 months. 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 23 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

MANAGEMENT COMMENTARY (continued)

Retirement Benefits (continued)

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 £5.030m as at 31 March 2018 (31 March 2017 £6.625m). 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 2018 was 2.6%, compared to 2.5% at 31 March 2017, resulting in a decrease in the value of pension liabilities.

Going Concern

The accrual of pension liabilities has a significant impact on the Balance Sheet at 31 March 2018 which shows an excess of liabilities over assets of £4.289m (£5.799m at 31 March 2017). 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 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

24 August 2018

GLOSSARY OF TERMS

EXPENDITURE

Employee Costs:

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.

Property Costs:

Includes rent, rates, repairs and maintenance and premises-related contributions at the area offices in Banff, Elgin and Woodhill House headquarters. The service charge for Woodhill House is also included. Energy costs, water services and premises insurance as well as fixtures and fittings, grounds maintenance and cleaning supplies are also included.

Transport Costs:

This includes all costs associated with the hire or use of transport, including staff travel allowances and public transport.

Supplies and Services:

Includes the cost of purchasing equipment, furniture and materials used in the operation or administration of the service. Printing and stationery, catering and provision of protective clothing, canvass expenses and valuation appeal panel costs are also included.

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

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.

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 24 August 2018.

Signed on behalf of the Grampian Valuation Joint Board

Councillor Graham Leadbitter
Convener

24 August 2018

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 2017/18 (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 2018.

Lorraine Paisey CA
Treasurer

24 August 2018

ANNUAL GOVERNANCE STATEMENT – 2017/18

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.

Also in terms of the order, 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.

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. 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.

The Assessor is also appointed as the Electoral Registration Officer (ERO) for the Board's three constituent authorities. The ERO is an independent statutory official and as such is personally liable for the registration service provided.

The Board has approved and adopted a local code of corporate governance that was updated in 2017/18 and is available at www.grampian-vjb.gov.uk

An updated 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government' was published in early 2016 to guide the preparation of Annual Governance Statements applicable for financial year 2016/17 onwards. This statement explains how the Board has complied with the 2016 code, reflecting the particular nature of the Board's remit.

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

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.

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.

High standards of behaviour are essential to good governance. This is achieved through promotion of codes of conduct, and registers of interests which record any potential areas where conflicts of interest might arise.

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, with career pathways 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 however maintained for the organisation's officials.

Issues relating to actions taken or not taken by officials can be addressed internally through the complaints handling procedure. This is the second 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 Assessor & ERO also works closely with Police Scotland, providing pre-election briefings and if necessary referring suspected fraudulent registration or absent vote applications.

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

The governance framework (continued)

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 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 & ERO. The engagement work around the roll-out of the 2017 revaluation carried out during 2016/17 has continued into 2017/18. 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 to local government leadership, specific industries such as agriculture and seafood, and the wider business community through chambers of commerce and other business bodies.

On a wider footing, the Assessor & ERO, as President of the Scottish Assessors' Association, was instrumental in establishing a new consultative framework for stakeholders at a national level that comprises bodies such as the Scottish Ratepayers' Forum and Scottish Rating Surveyors' Forum and has replicated elements of the national framework at a local (Grampian) level.

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. Nevertheless, the two services delivered by the Board are foundation stones to local government and democracy at local, national and international levels, as the services provide the means to raise local taxation and to conduct elections/referendums.

The service outcomes 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 of local taxation and electoral registration.

Local taxation has been the subject of intense scrutiny during the last year and The Barclay Review Group that was established by the Scottish Government published its recommendations in August. The group's recommendations essentially sought to modernise and improve the sustainability of the local taxation environment from a ratepayer's perspective.

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

The governance framework (continued)

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 Assessor and ERO is actively engaged in this process as a member of the Electoral Management Board for Scotland.

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 EROs¹ that provide valuation assessment and registration services across the 32 local authority areas in Scotland share expertise and resources to deliver unified and modern services.

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

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

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 have been developed to ensure clear relationships between the Board, the Assessor and ERO, corporate stakeholders and the public. The Board adopted a scheme of delegation this year and following the local government elections in May the Assessor and ERO provided the new board members with an overview of the service.

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 are subject to additional compulsory continuing professional development training.

¹ Dundee and Fife opted to provide registration services independently and contribute to the SAA Electoral Registration Committee.

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

The governance framework (continued)

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

The Board's decision-making processes are 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. Scrutiny is secured through internal and external audit.

Decisions of the Assessor & 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.

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

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 & 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.

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 & ERO on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

The governance framework (continued)

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). 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.

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 Assessor is essentially the chief executive for the organisation and has a wide range of financial, personnel, governance and reporting responsibilities. He along with the two deputies; four assistant assessors and the principal administration officer have overall responsibility for good governance arrangements. 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.

- **Monitoring Officer**

The Monitoring Officer is appointed in terms of the Local Government and Housing Act 1989, which covers the duty to ensure that no enactments, rules of law, or codes of practice are breached, and that the organisation is not involved in maladministration or injustice as defined in the Local Government (Scotland) Act 1975.

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

Review of effectiveness of governance arrangements (continued)

- **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. 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.

- **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 reports annually on its work to the Board.

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 2018.

- **External Agencies**

In addition to the various internal review processes and the statutory audit conducted by Audit Scotland, there are a number of bodies that the organisation is required to report to in the context of good governance. The Information Commissioner collects data on responses to requests for information and The Keeper of Records has reviewed and approved 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.

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

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 reducing, and major changes such as NDR reform are being contemplated.

In the governance statement for 2016/17, key challenges identified by the service related to

- the development of an efficient individual electoral registration system;
- resourcing the defence of the valuation roll against significant and sustained challenges;
- resourcing the addition of shootings to the valuation roll and other changes brought about by NDR and ER reform;
- identifying new equalities mainstreaming outcomes;
- meeting regulatory requirements on information management and data security;
- ensuring performance reporting is fit for purpose; and
- evaluating current consultation arrangements

Significant progress was made in addressing these challenges over the last 12 months however a number require input from other stakeholders – principally the legislatures, to make the corresponding changes to statute. The decision of the Lands Valuation Appeal Court upholding the Assessor's appeal has effectively dealt with a large volume of running roll appeals, Improvements have been made to IER but more fundamental changes will need legislation; the unique circumstances of the area's economy have given rise to an above average volume of appeals; NDR and ER reform now have a higher profile and impetus than that 12 months ago; equalities mainstreaming and performance monitoring have been progressed but work remains outstanding on consultation arrangements.

The key challenges for 2018/19 are

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

ANNUAL GOVERNANCE STATEMENT – 2017/18 (continued)

Concluding Remarks

In our respective roles as Convener of the Board and Assessor & 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

24 August 2018

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 are 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

The remuneration of councillors is regulated by The Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015. These regulations set out the amounts a councillor may be paid for being a Convener or Vice-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 Vice 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. £21,160 per annum. The Vice 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. £20,103 per annum. These rates are effective for the year ending 31 March 2018.

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

Details of these payments are shown on Table 1 and Table 2 on the next page.

Remuneration of Senior Councillors, Convener and Vice-Convener

Councillor Shepherd was Convener of the Grampian Valuation Joint Board until May 2017. The Board paid a Special Responsibility Allowance to the Convener of the Board until this date. Details of his salary are included in the remuneration report for Moray Council.

Councillor Leadbitter has been Convener of the Grampian Valuation Joint Board from 30 June 2017. Councillor Leadbitter receives an allowance as Joint Leader of his party. The Board pays a Special Responsibility Allowance to the Convener of the Board. Details of his salary are included in the remuneration report for Moray Council.

Councillor Owen was Deputy Convener of the Board until May 2017. She receives a Special Responsibility Allowance from Aberdeenshire Council for her role as Chair of the Audit Committee (Scrutiny and Audit Committee until 27 January 2017) and so no additional award is made for undertaking duties for the Valuation Board. This allowance is paid for in full by Aberdeenshire Council and will be included in their remuneration report.

REMUNERATION REPORT (continued)

Remuneration of Senior Councillors, Convener and Vice-Convener (continued)

Councillor Cormie has been Deputy Convener of the Board from 30 June 2017. The Board pays a Special Responsibility Allowance to the Deputy 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 Vice-Convener (Table 1)

The Board paid a Special Responsibility Allowance to the Convener of the Board. Details of this payment are shown below.

Councillor Name and Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2017/18	Total Remuneration 2016/17
	£	£	£	£
Councillor Shepherd Convener (to 4/5/17)	398	-	398 (Full year equivalent £4,233)	4,225
Councillor Leadbitter Convener (from 30/6/17)	1,593	-	1,593 (Full year equivalent £2,117)	-
Councillor Cormie Deputy Convener (from 30/6/17)	2,392	-	2,392 (Full year equivalent £3,176)	-
Total	4,383	-	4,383	4,225

Remuneration of Councillors (Table 2)

The 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	2017/18	2016/17
	£	£
Salaries	4,382	4,225
Expenses	1,064	980
TOTAL	5,446	5,205

REMUNERATION REPORT (continued)

Remuneration of Senior Employees

The Local Authority Accounts (Scotland) Amendment Regulations 2014 require remuneration information to be disclosed for senior employees and these are categorised by the following criteria:

- 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 2017/18	Total Remuneration 2016/17
	£	£	£	£
Ian Milton Assessor & ERO	107,048	455	107,503	106,628
Gavin Oag Depute Assessor & ERO	83,478	674	84,152	83,226
Mark Adam Depute Assessor & ERO	74,402	804	75,206	74,426
TOTAL	264,928	1,933	266,861	264,280

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.

REMUNERATION REPORT (continued)

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 2018, 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.

In addition, 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 2017/18 are the same as for 2016/17; however the earning bands have changed as shown in the table below. The figures for 2016/17 are shown in brackets for comparison

Whole time earnings (2016/17 in brackets)	Contribution rate 2017/18	Contribution rate 2016/17
On earnings up to and including £20,700 (£20,500)	5.50%	5.50%
On earnings above £20,700 and up to £25,300 (£20,500 and up to £25,000)	7.25%	7.25%
On earnings above £25,300 and up to £34,700 (£25,000 and up to £34,400)	8.50%	8.50%
On earnings above £34,700 and up to £46,300 (£34,400 and up to £45,800)	9.50%	9.50%
On earnings above £46,300 (£45,800)	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.

REMUNERATION REPORT (continued)

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 2018	For the year to 31 March 2017
	£	£
Cllr Leadbitter	308 (Full year equivalent £408)	0
Cllr Cormie	462 (Full year equivalent £613)	0
Total	770 (Full year equivalent £1,021)	0

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. As both Councillor Leadbitter and Councillor Cormie took up their positions in 2017/18, no contributions were made relating to 2016/17.

REMUNERATION REPORT (continued)

Pension Benefits (continued)

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 2018	For the year to 31 March 2017		As at 31 March 2018	Difference from March 2017
	£	£		£	£
Ian Milton Assessor and ERO	20,633	20,429	Pension	50,428	2,810
			Lump Sum	99,060	980
Gavin Oag Depute Assessor & ERO	16,084	15,925	Pension	33,648	2,135
			Lump Sum	60,233	597
Mark Adam Depute Assessor & ERO	14,332	14,190	Pension	33,813	1,940
			Lump Sum	65,163	645
Total	51,049	50,544		342,345	9,107

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.

REMUNERATION REPORT (continued)

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 on Table 6 below.

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	
	2017-18	2016-17
£50,000 - £54,999	2	2
£55,000 - £59,999	2	2
£70,000 - £74,999	-	1
£75,000 - £79,999	1	-
£80,000 - £84,999	1	1
£105,000 - £109,999	1	1
Total	7	7

Councillor Graham Leadbitter
Convener

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

24 August 2018

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.

31 March 2017				31 March 2018			
£000	£000	£000		£000	£000	£000	
Expenditure	Income	Net	Note	Expenditure	Income	Net	
4,377	(237)	4,140		4,645	(190)	4,455	
4,377	(237)	4,140		4,645	(190)	4,455	
128	(2)	126	9	161	(2)	159	
		(3,970)	20			(4,039)	
		296	8			575	
		2,437	23			(2,085)	
		2,437				(2,085)	
		2,733				(1,510)	

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

This Statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' and 'unusable reserves'. Usable reserves are those that can be applied to fund expenditure subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital fund may only be used to fund capital expenditure or repay debt). Unusable reserves include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences.

The Statement shows how the movements in the year of the Board's reserves 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 Net Increase/(Decrease) line shows the statutory General Fund movements in the year.

Details are tabulated for 2016/17 for comparative purposes.

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves (Note 17) £000	Total Board Reserves £000
Balance at 31 March 2016	207	73	280	(3,346)	(3,066)
Total Comprehensive Income and Expenditure	(296)	-	(296)	(2,437)	(2,733)
Adjustments between accounting basis & funding basis under regulations (Note 7)	298	-	298	(298)	-
Increase / (Decrease) in Year	2	-	2	(2,735)	(2,733)
Balance at 31 March 2017	209	73	282	(6,081)	(5,799)

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2018
(continued)

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves (Note 17) £000	Total Board Reserves £000
Balance at 31 March 2017	209	73	282	(6,081)	(5,799)
Total Comprehensive Income and Expenditure	(575)	-	(575)	2,085	1,510
Adjustments between accounting basis & funding basis under regulations (Note 7)	519	(18)	501	(501)	-
Increase / (Decrease) in Year	(56)	(18)	(74)	1,584	1,510
Balance at 31 March 2018	153	55	208	(4,497)	(4,289)

BALANCE SHEET AS AT 31 MARCH 2018

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.

Restated			
31 March 2017		31 March 2018	
£000		£000	Note
649 Property, Plant & Equipment		643	10
1 Long Term Debtors		-	11
650 Long Term Assets		643	
25 Short Term Debtors		66	12
754 Cash and Cash Equivalents		448	13
779 Current Assets		514	
(603) Short Term Creditors		(416)	14
(603) Current Liabilities		(416)	
(6,625) Other Long Term Liabilities		(5,030)	23
(6,625) Long Term Liabilities		(5,030)	
(5,799) Net Liabilities		(4,289)	
Usable reserves			16
209 General Fund		153	
73 Capital Fund		55	
282 Total		208	
Unusable Reserves			17
223 Revaluation Reserve		218	
426 Capital Adjustment Account		425	
(6,625) Pensions Reserve		(5,030)	
(105) Employee Statutory Adjustment Account		(110)	
(6,081) Total		(4,497)	
(5,799) Total Reserves		(4,289)	

The notes on Pages 39 to 68 form part of the Financial Statements.

Lorraine Paisey CA
Treasurer
24 August 2018

The unaudited Annual Accounts were issued on 28 May 2018 and the audited Annual Accounts were authorised for issue on 24 August 2018.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

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.

Restated

31 March 2017		31 March 2018
£000		£000
296	Net deficit on the provision of services	575
(568)	Adjust net deficit on the provision of services for non cash movements (Note 19)	(269)
(272)	Net cash flows from Operating Activities	306
-	Net Cash flows from Investing Activities	-
(272)	Net (increase)/decrease in cash and cash equivalents	306
482	Cash and cash equivalents at the beginning of the financial year	754
754	Cash and cash equivalents at the end of the financial year	448

NOTES TO THE ACCOUNTS

Note 1 Accounting Policies

General Principles

The Annual Accounts summarise the Board's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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.

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.

Non Current Assets

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 on an accruals basis and property is revalued at least every five years. 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.

Revaluation gains are recognised in the Revaluation Reserve, unless the increase is reversing either a previous impairment loss or a previous revaluation loss charged to the Comprehensive Income and Expenditure Statement in which case the revaluation amount is used first to reverse the previous loss and any excess is treated as a revaluation gain and credited to the Revaluation Reserve.

Revaluation losses are recognised in the Revaluation Reserve up to the credit balance existing in respect of that asset and thereafter in the Comprehensive Income and Expenditure Statement.

Revaluation gains and losses charged to the Comprehensive Income and Expenditure Statement are not a charge to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Non Current Assets (continued)

Property, Plant and Equipment (continued)

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. Depreciation rates are detailed in Note 10.

Depreciation charged in the Comprehensive Income and Expenditure Statement is not a charge to the General Fund and is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Revaluation gains are also depreciated, with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Impairment: Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains); and
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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.

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.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Financial Assets and Liabilities

The Board's Financial Assets are Loans and Receivables which have fixed or determinable payments but are not quoted in an active market.

Most of the Board's loans and receivables (debtors) are for less than 12 months or are charged at a market rate of interest. They are initially measured at fair value and are carried at amortised cost, which equates to the actual cash value at 31 March 2018.

Elements of financial assets that are receivable within 12 months of the Balance Sheet date are included in either short-term investments or cash and cash equivalents dependent upon whether or not the asset satisfies the conditions of a cash or cash equivalent asset.

The Board's Liabilities are shown as Creditors in the Balance Sheet and are for less than 12 months. They are initially measured at fair value and are carried at amortised cost, which equates to the actual cash value at 31 March 2018.

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 2018.

Employee Benefits

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. As the leave year runs from 1 January to 31 December, an accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated at the wage and salary rates applicable in the following accounting year, being the year in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services so that holiday benefits are charged to revenue in the financial year in which the holiday absence is earned, but Statutory Regulations issued by the Scottish Government allow the Board to reverse out this amount through the Movement in Reserves Statement so that it does not impact on the General Fund.

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 to the relevant service line (or discontinued operations) 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.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Employee Benefits (continued)

Termination Benefits (continued)

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits: The Board is a statutory body in the North East Scotland Pension Fund, a Local Government Pension Scheme administered by Aberdeen City Council, which provides employees with defined benefits related to pay and service.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated, according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The liabilities of the North East Scotland Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates and employee turnover rates, etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate of 2.6% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

The assets of the North East Scotland Pension Fund attributable to the Board are included in the Balance Sheet at their fair value.

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.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

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.

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.

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period (the balance sheet date) and the date when the Annual Accounts are authorised for issue.

There are two types of events:

- a) those that provide evidence of conditions that existed at the balance sheet date – the Annual Accounts are adjusted to reflect such events and
- b) those that provide evidence of conditions that arose after the balance sheet date – the Annual accounts are not adjusted to reflect such events, but where non-adjusting events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

Leases

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.

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. These reserves are explained overleaf.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

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.

Unusable Reserves

The **Capital Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the cost of non-current assets consumed and the capital financing set aside to pay for them.

The **Revaluation Reserve** was introduced on 1 April 2007 and reflects the difference between depreciated historical cost and the carrying value of non-current assets.

The **Pensions Reserve** was introduced on 1 April 2003 and reflects the future requirement to meet pension costs.

The **Employee Statutory Adjustment Account** was introduced on 1 April 2009 to reflect the cost of holiday entitlements and other leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year, as explained more fully in the Accounting Policy on Employee Benefits on page 41.

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 2018/19 Code relate to: IFRS 9 Financial Instruments; IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers; Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses; and Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiatives

The Code requires implementation from 1 April 2018 and there is, therefore, no impact on the 2017/18 Financial Statements.

NOTES TO THE ACCOUNTS (continued)

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 2018 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

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 £0.592m.

NOTES TO THE ACCOUNTS (continued)

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. During 2017/18 the following items are regarded as material:

Nature	£000
Grant income from the UK Government for Individual Electoral Registration (IER)	177
	<hr/>
	177

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 28 May 2018 and the audited Annual Accounts were authorised for issue on 24 August 2018 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE ACCOUNTS (continued)

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 2017			31 March 2018		
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
3,970	170	4,140	4,097	358	4,455
3,970	170	4,140	4,097	358	4,455
(3,972)	128	(3,844)	(4,041)	161	(3,880)
(2)	298	296	56	519	575
(207)			(209)		
(2)			56		
(209)			(153)		

NOTES TO THE ACCOUNTS (continued)

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

Adjustments between the Funding and Accounting Basis

	2016/17			
	Adjustment for Capital Purposes £000	Net Change for Pensions Adjustments £000	Other Differences £000	Total Adjustments £000
Rating and CT valuation & Electoral Registration	21	149	-	170
Net Cost of Services	21	149	-	170
Other Income and Expenditure	-	128	-	128
Difference between the General Fund Surplus and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit	21	277	-	298

	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

NOTES TO THE ACCOUNTS (continued)

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

NOTES TO THE ACCOUNTS (continued)

Note 8 Expenditure and Income Analysed by Nature

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

Expenditure and Income

	2016/17 £000	2017/18 £000
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Employee benefit expenses	3,285	3,521
Other service expenses	1,016	1,044
Support service recharges	55	56
Depreciation, amortisation and impairment	21	24
Interest payments	128	161
Total Expenditure	4,505	4,806
Requisitions	(3,970)	(4,039)
Government grants and other service income	(237)	(190)
Interest and investment income	(2)	(2)
Total Income	(4,209)	(4,231)
(Surplus) or deficit on the provision of services	296	575

Note 9 Financing and Investment Income and Expenditure

	2016/17 £000	2017/18 £000
Pensions interest cost and expected return on pensions assets	128	161
Interest receivable and similar income	(2)	(2)
	<u>126</u>	<u>159</u>

NOTES TO THE ACCOUNTS (continued)

Note 10 Property, Plant and Equipment

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total Property, Plant and Equipment £000
Cost or valuation			
At 1 April 2016	696	210	906
At 31 March 2017	696	210	906
Accumulated Depreciation and Impairment			
At 1 April 2016	42	194	236
Depreciation charge	13	8	21
At 31 March 2017	55	202	257
Net Book Value			
At 31 March 2016	654	16	670
At 31 March 2017	641	8	649
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

NOTES TO THE ACCOUNTS (continued)

Note 10 Property, Plant and Equipment (continued)

Depreciation

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

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 2013 and the next revaluation is scheduled during 2018/19. 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.

Capital Commitments

At 31 March 2018 the Board has capital commitments for 2018/19 of £0.008m for a new telephone system in Woodhill House and £0.031m for a new Electoral Management System (£nil at 31 March 2017).

Note 11 Long Term Debtors

	2016/17 £000	2017/18 £000
Car Loans	1	-

Note 12 Short Term Debtors

	2016/17 £000	2017/18 £000
Central Government bodies	-	1
Other Local Authorities	-	33
Other Entities and Individuals	25	32
	<hr/> 25	<hr/> 66

NOTES TO THE ACCOUNTS (continued)

Note 13 Cash and Cash Equivalents

	Restated 2016/17 £000	2017/18 £000
Temporary Investment in the Moray Council Loans Fund	754	448

Note 14 Short Term Creditors

	Restated 2016/17 £000	2017/18 £000
Central Government bodies	61	62
Other Local Authorities	372	133
Other Entities and Individuals	170	221
	603	416

The 2016/17 balances have been restated to reflect the treatment of CSS Recharges as a creditor.

Note 15 Financial Instruments

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. In the annual accounts this equates to the invoiced amounts or cash value. These amounts are also the fair values of these assets.

The Board has no material exposure to any of the following financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Board.
- Liquidity risk – the possibility that the Board might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Board as a result of changes in such measures as interest rates and stock market movements.

NOTES TO THE ACCOUNTS (continued)

Note 15 Financial Instruments (continued)

The Financial Instruments disclosed in the Balance Sheet are made up of the following categories:

	Long Term		Restated Short Term	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Debtors				
Loans & Receivables	1	-	2	1
Financial Assets carried at contract amounts			23	65
Total Debtors	1	-	25	66
Creditors				
Financial Liabilities carried at contract amounts			603	416
Cash and Cash Equivalents				
Cash Equivalent carried at contract amounts			754	448

Note 16 Usable Reserves

	2016/17 £000	2017/18 £000
Usable Reserves		
General Fund	209	153
Capital Fund	73	55
Total Usable Reserves	282	208

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement on page 32 and also in Note 7 Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations on page 47.

NOTES TO THE ACCOUNTS (continued)

Note 17 Unusable Reserves

	2016/17 £000	2017/18 £000
Revaluation Reserve	223	218
Capital Adjustment Account	426	425
Pensions Reserve	(6,625)	(5,030)
Employee Statutory Adjustment Account	(105)	(110)
	<hr/> (6,081) <hr/>	<hr/> (4,497) <hr/>

Revaluation Reserve

The Revaluation Reserve contains gains made by the Board arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:-

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains realised.

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.

	2016/17 £000	2017/18 £000
Balance at 1 April	226	223
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	(3)	(5)
Balance at 31 March	<hr/> 223 <hr/>	<hr/> 218 <hr/>

NOTES TO THE ACCOUNTS (continued)

Note 17 Unusable Reserves (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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Board as finance for the costs of acquisition, construction and enhancement.

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.

Note 7 provides details of the source of all the transactions posted to the Account, excluding those involving the Revaluation Reserve.

	2016/17 £000	2017/18 £000
Balance at 1 April	444	426
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	(21)	(24)
Adjusting amounts written out of the Revaluation Reserve	3	5
Net written out amount of the cost of non-current assets consumed in the year	(18)	(19)
Capital financing in the year:		
Use of Capital Fund to finance new capital expenditure	-	18
Balance 31 March	426	425

NOTES TO THE ACCOUNTS (continued)

Note 17 Unusable Reserves (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.

	2016/17 £000	2017/18 £000
Balance at 1 April	(3,911)	(6,625)
Remeasurements of the net defined benefit liability/asset	(2,437)	2,085
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	(747)	(956)
Employer's pensions contributions and direct payments to pensioners payable in the year	470	466
Balance at 31 March	<u>(6,625)</u>	<u>(5,030)</u>

NOTES TO THE ACCOUNTS (continued)

Note 17 Unusable Reserves (continued)

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.

	2016/17	2017/18
	£000	£000
Balance at 1 April	(105)	(105)
Settlement or cancellation of accrual made at the end of the preceding year	105	105
Amounts accrued at the end of the current year	(105)	(110)
Balance at 31 March	<u>(105)</u>	<u>(110)</u>

Note 18 External Audit Costs

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

	2016/17	2017/18
	£000	£000
Fees payable in respect of external audit services carried out by the appointed Auditor for the year	7	7

Note 19 Cashflow – Analysis of Net Deficit on the provision of services for non cash movements

	Restated	
	2016/17	2017/18
	£000	£000
Depreciation/Impairment charges	(21)	(24)
Pension Liability	(277)	(490)
Increase/(Decrease) in Debtors	(166)	40
Decrease/(Increase) in Creditors	(104)	205
Total	<u>(568)</u>	<u>(269)</u>

NOTES TO THE ACCOUNTS (continued)

Note 20 Requisition and Grant Income

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

	2016/17	2017/18
	£000	£000
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,644	1,583
Requisition from Aberdeenshire Council	1,871	1,800
Requisition from Moray Council	681	656
Total	<u>4,196</u>	<u>4,039</u>
Returned to constituent authorities:		
Aberdeen City Council	88	-
Aberdeenshire Council	101	-
Moray Council	37	-
Total	<u>226</u>	<u>-</u>

Note 21 Leases

Board as Lessee

Operating 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 2017/18 was £0.125m (£0.130m in 2016/17). The lease agreement, although having been negotiated, has still to be signed.

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

	2016/17	2017/18
	£000	£000
Not later than one year	125	125
Later than one year and not later than five years	500	375
	<u>625</u>	<u>500</u>

NOTES TO THE ACCOUNTS (continued)

Note 22 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 20](#). The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

	Restated 2016/17 £000	2017/18 £000
Aberdeen City Council	2	68
Aberdeenshire Council	325	298
Moray Council	77	84

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

Aberdeen City Council	89	4
Aberdeenshire Council	141	17
Moray Council	37	-

The 2016/17 balances have been restated to include accommodation costs.

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.

NOTES TO THE ACCOUNTS (continued)

Note 23 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, 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:

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2016/17 £000	2017/18 £000
Cost of Services:		
Current Service Cost and administration expenses	619	795
Financing and Investment Income and Expenditure:		
Net Interest Expense	128	161
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	747	956
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	(4,414)	(171)
Actuarial (gain)/loss on financial assumptions	6,851	(1,914)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	2,437	(2,085)
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	(747)	956
Actual amount charged against requisitions for pensions in the year	470	466

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (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 2017	31 March 2018
	£000	£000
Present value of the defined benefit obligation	(36,477)	(35,633)
Fair value of plan assets	29,852	30,603
Net liability arising from defined benefit obligation	(6,625)	(5,030)

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (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:

	2017	2018
	£000	£000
1 April	(28,911)	(36,477)
Current Service Cost	(610)	(786)
Interest on pension liabilities	(996)	(905)
Remeasurements:		
Experience gain/(loss)	-	233
Gain/(Loss) on financial assumptions	(6,851)	1,894
Gain/(Loss) on demographic assumptions	-	(213)
Contributions by scheme participants	(159)	(159)
Benefits Paid	1,050	780
31 March	(36,477)	(35,633)

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:

	2017	2018
	£000	£000
1 April	25,000	29,852
Interest on plan assets	868	744
Remeasurements (assets)	4,414	171
Administration expenses	(9)	(9)
Employer Contributions	470	466
Contributions by scheme participants	159	159
Benefits Paid	(1,050)	(780)
31 March	29,852	30,603

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

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

	31 March 2017		
	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals
	£000	£000	£000
U.K. Equities	10,282		10,282
Overseas Equities	10,024		10,024
U.K Government Bonds	2,329		2,329
Other Government Bonds	985		985
Other U.K. Bonds	90		90
Other non U.K. Bonds	388		388
Property		2,090	2,090
Private Equity		1,493	1,493
Global Infrastructure		81	81
Cash Instruments		478	478
Diversified Growth Funds		1,612	1,612
Total Assets	24,098	5,754	29,852

	31 March 2018		
	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals
	£000	£000	£000
U.K. Equities	10,281		10,281
Overseas Equities	9,855		9,855
U.K Government Bonds	1,867		1,867
Other Government Bonds	428		428
Other U.K. Bonds	-		-
Other non U.K. Bonds	367		367
Property		2,234	2,234
Private Equity		1,194	1,194
Global Infrastructure		429	429
Cash Instruments		490	490
Infrastructure Pooled fund		459	459
Multi Asset Credit		734	734
Diversified Growth Funds		2,265	2,265
Total Assets	22,798	7,805	30,603

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (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 2018. 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 2017	31 March 2018
Financial assumptions:		
Discount rate	2.50%	2.60%
Rate of increase in salaries	3.80%	3.70%
Rate of increase in pensions	2.30%	2.30%
Rate of CPI inflation	2.30%	2.20%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.3	22.7
Women	24.9	24.9
Longevity at 65 for future pensioners:		
Men	24.5	25.6
Women	27.8	27.9

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:

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

Sensitivity Analysis as at 31 March 2018

	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	35,633	35,041	36,235	35,769	36,321
Assets	(30,603)	(30,603)	(30,603)	(30,603)	(30,603)
Fund Deficit	5,030	4,438	5,632	5,166	5,718
	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	35,633	36,225	35,031	35,497	34,945
Assets	(30,603)	(30,603)	(30,603)	(30,603)	(30,603)
Fund Deficit	5,030	5,622	4,428	4,894	4,342

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (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 94% 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 Pensions Committee has considered this trade-off and defined a strategic benchmark to achieve the long term investment returns required to achieve the Fund objective: equities 65%, property 10%, bonds 10%, alternative assets (including private equity) 15%. There is no strategic allocation to cash.

The asset proportions of the Fund at 31 March 2018, with March 2017 in brackets were: equities, including alternatives 82.4% (78.7%), bonds 8.7% (12.7%), property 7.3% (7.0%) and cash 1.6% (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

The Fund aims to keep employers' contribution at as constant a rate as possible. The Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average deficit recovery period of 19 years, with a maximum recovery period of 19 years. Funding levels are monitored on a quarterly basis. The next triennial valuation is as at 31 March 2020 and will be completed during 2020/21.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2019 is £0.466m.

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

INDEPENDENT AUDITOR'S REPORT

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

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 2018 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 and Cash Flow Statement, and notes to the financial statements, 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of Grampian Valuation Joint Board as at 31 March 2018 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 2017/18 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)). 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 am independent of the body 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

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 body'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.

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 body'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 achieve 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.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

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; or
- there has been a failure to achieve a prescribed financial objective.

INDEPENDENT AUDITOR'S REPORT (continued)

Matters on which I am required to report by exception (continued)

I have nothing to report in respect of these matters.

Maggie Bruce
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24 August 2018