



# Orkney and Shetland Valuation Joint Board



## Minute

Tuesday, 4 October 2022, 10:30.

Microsoft Teams.

### Present:

#### Orkney Islands Council:

Dr Stephen G Clackson, P Lindsay Hall, Kristopher D Leask, John A R Scott and Dr Jean E Stevenson.

#### Shetland Islands Council:

Allison Duncan, Stephen Leask, Liz Peterson, Gary Robinson and Arwed Wenger.

### Clerk to the Board:

- Karen A Greaves.

### In Attendance:

- Erik Knight, Treasurer to the Board.
- Darryl Rae, Assessor and Electoral Registration Officer.

#### Orkney Islands Council:

- Gavin Mitchell, Head of Legal and Governance.
- Hazel Flett, Service Manager (Governance).
- Christine Scott, Accounting Officer (Corporate Finance) (for Items 1 to 7).

#### Deloitte LLP:

- Pat Kenny, Associate Partner, Audit and Assurance (for Items 1 to 6).
- Peter Bent, Assistant Manager, Audit and Assurance (for Items 1 to 8).
- Gregory Oduor, Senior Manager, Audit and Assurance (for Items 1 to 8).

### Observing:

#### Orkney Islands Council:

- Kirsty Groundwater, Team Manager (Communications).

### Chair:

- Stephen Leask, Shetland Islands Council, Convener of the Board.

## 1. Introduction and Apologies

The Convener welcomed everyone to this meeting, particularly the new member representing Shetland, Arwed Wenger, previously a substitute member, who had replaced Ryan Thomson. There were two vacancies for substitute members representing Shetland. Moraig Lyall had been appointed to one of the vacancies, with the remaining appointment to be advised in due course.

The Convener also reminded members that the meeting was being recorded and broadcast live over the Internet on Orkney Islands Council's website. The recording would also be publicly available following the meeting and available for listening to for 12 months thereafter.

No apologies for absence had been intimated.

## 2. Declarations of Interest

No declarations of interest were intimated in respect of the business to be considered at this meeting.

## 3. Minute of Previous Meeting

There had been previously circulated the draft Minute of the Meeting of the Board held on 30 June 2022.

Dr Stephen Clackson referred to two errors in the draft Minute:

- Item 4 – Appointment of Vice Convener – the term used in the Standing Orders was Depute Convener. Further, the annual audit report, to be considered later in this meeting, also had the term Vice Convener.
- Item 15 – Review of Constitution – the reference in the second last paragraph on page 15 should read “Standing Order 21.10” and not “Standing Order 21.20”.

The Clerk confirmed that the Constitution and Standing Orders did refer to the Depute Convener and that was the term which should be used.

Subject to the amendments highlighted above, on the motion of Dr Stephen Clackson, seconded by Mr John Ross Scott, the Board **approved** the Minute of the Meeting of the Board held on 30 June 2022, as a true record.

## 4. Minute of Special Meeting

There had been previously circulated the draft Minute of the Special Meeting of the Board held on 8 September 2022.

On the motion of Mr John Ross Scott, seconded by Mr Kristopher Leask, the Board **approved** the Minute of the Special Meeting of the Board held on 8 September 2022, as a true record.

## 5. Annual Report to those charged with Governance

There had been previously circulated a report by the Treasurer to the Board presenting the External Auditor's Annual Audit Report to those charged with governance of the Board's Financial Statements.

Given the late circulation of the papers, Gregory Oduor gave a detailed presentation on the content of the Annual Audit Report, highlighting the following points:

- Key messages:
  - As set out in the audit plan presented to the Board in March 2022, as a result of the significant issues identified in the 2020/21 report in relation to governance and decision making and the resulting report by the Controller of Audit under section 102(1) of the Local Government (Scotland) Act 1973, it remained appropriate to apply expanded wider scope requirements to specifically follow-up on the recommendations made in the 2020/21 audit report covering financial sustainability and governance and transparency.
  - Based on audit work completed to date, Deloitte LLP expected to issue an unmodified audit opinion.
  - The Management Commentary and Annual Governance Statement complied with statutory guidance and proper practice and were consistent with the annual accounts and Deloitte LLP's knowledge of the Board.
  - The auditable parts of the Remuneration Report were prepared in accordance with relevant regulations.
  - The summary of Deloitte LLP's work on the significant risks provided in the dashboard on page 8 of the Annual Audit Report.
  - No misstatements above the reporting threshold had been identified.
- Outstanding matters to conclude the audit:
  - Internal quality control procedures were now complete.
  - Final annual accounts to be approved later in this meeting, following which the signed management representation letter would be received.
  - Review of events since 31 March 2022.
- Conclusions of wider audit dimension:
  - Financial Sustainability – overspend in 2021/22 was fully funded by constituent councils, with a balanced budget set for 2022/23; Medium Term Financial Plan was in development, with the Board to consider how to bridge the funding gap identified.
  - Governance and Transparency – Six of the recommendations from the 2020/21 Annual Audit Report assessed as fully implemented and the remaining three partially implemented. The Board was commended for acting quickly to address the weaknesses in the leadership and governance arrangements highlighted.
- Final year of current audit appointment and, in order to minimise disruption to all parties and maximise transfer of knowledge, Deloitte LLP would work in partnership with Audit Scotland and the incoming auditors.
- Quality Indicators – three gradings with the majority (one exception) being graded as “mature”.
- Audit approach – based on current status of audit work, envisage issuing an unmodified audit report.
- Although two areas of significant risk highlighted, no areas of concern to report.

- Transition of Finance Function:
  - No issues identified from testing up to the date of the Annual Audit Report, therefore satisfied transition of data from Shetland Islands Council to Orkney Islands Council was complete and accurate.
  - Preliminary assurance received from Orkney Islands Council's auditors in relation to common systems and, although an issue with Statutory Sick Pay calculations was raised, this had no impact on the Board.
- Net pension liability had decreased due, in the main, to an increase in the fair value; assumptions made by actuary were tested, with the conclusion that the pension liability in relation to the defined benefits pension scheme was fairly stated.
- IFRS 16, Leases, to be mandatory for local government bodies in 2024/25, but strongly encouraged for adoption in 2022/23 – satisfied with management conclusion that none of the Board's current lease agreements fell under the scope of the standard.
- Satisfied the Management Commentary was prepared in accordance with best practice and content with disclosure of replacement of Treasurer, with effect from 12 September 2022.
- Board commended for positive reaction to, and progress with, recommendations arising from 2020/21 Annual Audit Report.
- Two recommendations identified from the 2021/22 audit, both relating to financial sustainability, with the management response and update provided.
- No instances of fraud reported.
- Clarification on Deloitte LLP's independence from the Board and their objectivity was not comprised.
- Audit fee confirmed as £9,172.

The Convener thanks Mr Oduor for the detailed presentation and commented on the use of the words "happy" and "pleased" throughout, which was heartening, given the previous audit. He cautioned the Board not to become complacent, however, he had full confidence with the talents on the Board and within the leadership team, to maintain progress.

The Board noted:

**5.1.** That Deloitte LLP, as the Board's external auditor, had concluded its audit of the Orkney and Shetland Valuation Joint Board's Annual Accounts for the year ended 31 March 2022.

**5.2.** That Deloitte LLP expected to provide an unmodified audit opinion on the Orkney and Shetland Valuation Joint Board's Annual Accounts for the year ended 31 March 2022.

**5.3.** That an unmodified opinion meant that the Annual Accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

**5.4.** That Deloitte LLP deemed that, as a result of the issues identified in the 2020/21 report in relation to governance and decision making, it remained appropriate to apply expanded wider scope requirements specifically to follow-up on the recommendations made in the 2020/21 annual audit report covering financial sustainability and governance and transparency.

**5.5.** That, during the course of the audit, a number of presentational adjustments within the financial statements were identified, which had been adjusted in the final accounts.

**5.6.** The Orkney and Shetland Valuation Joint Board's Letter of Representation to Deloitte LLP in connection with its audit of the financial statements of the Orkney and Shetland Valuation Joint Board for the year ended 31 March 2022, attached as Appendix 1 to the report by the Treasurer to the Board.

**5.7.** The Annual Audit Report to the Board and the Controller of Audit in respect of the Orkney and Shetland Valuation Joint Board's Annual Accounts, attached as Appendix 2 to the report by the Treasurer to the Board.

## **6. Annual Accounts**

There had been previously circulated a report by the Treasurer to the Board presenting the final Annual Accounts for the Orkney and Shetland Valuation Joint Board for financial year 2021/22 for approval for signature.

Dr Stephen Clackson requested that the term "Vice Convener" used throughout be amended to "Depute Convener" which the Treasurer confirmed could be done, prior to signature.

The Board noted:

**6.1.** That the Local Authority Accounts (Scotland) Regulations 2014 required the Board to consider and approve an audited set of accounts, including an annual governance statement, by 30 September each year, and publish the accounts on a website by 31 October.

**6.2.** That, in terms of the Local Authority (Capital and Finance Accounting) (Scotland) (Coronavirus) Amendment Regulations 2022, the deadline for approval of the final accounts could be extended by two months, if required, from 30 September 2022 to 30 November 2022, with publication of the final accounts extended, if required, from 31 October 2022 to 15 December 2022.

**6.3.** The management commentary, comprising pages 1 to 7 of the Annual Accounts, attached as Appendix 1 to the report by the Treasurer to the Board, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2022, with the key facts and figures summarised at section 4.3 of the report.

On the motion of Dr Stephen Clackson, seconded by Mr Lindsay Hall, the Board **resolved**:

**6.4.** That, subject to the term "Vice Convener" being amended to "Depute Convener", the Annual Accounts for financial year 2021/22 be approved.

## **7. Revenue Expenditure Monitoring**

There had been previously circulated a report by the Treasurer to the Board advising of the revenue position as at 30 June 2022.

The Treasurer reminded the Board of the audit recommendation to provide quarterly financial reporting and, although the report presented set out the position as at the end of June, this was to tie in with Orkney Islands Council's financial reporting processes. The position as at 30 June 2022 was indicating a deficit position, which was due to profiling issues and requisition payments, which would be rectified in later reporting periods. In accordance with Orkney Islands Council's financial reporting processes, monthly reports would be issued to Board members, with quarterly reports submitted to the Board meetings.

The Board noted:

**7.1.** The revenue financial summary statement, in respect of the Orkney and Shetland Valuation Joint Board, for the period 1 April to 30 June 2022, attached as Annex 1 to the report by the Treasurer to the Board, indicating a budget deficit position of £26,500.

The Board scrutinised:

**7.2.** The explanations given and actions proposed, in respect of significant budget variances, as outlined in the Budget Action Plan, attached as Annex 2 to the report by the Treasurer to the Board, and obtained assurance that action was being taken with regard to significant budget variances.

## **8. Annual Audit Report 2021/22 – Action Plan**

There had been previously circulated a report by the Clerk to the Board providing an update on progress with the Action Plan arising from Annual Audit Reports.

The Clerk confirmed that the Appendix had been updated to include the recommendations arising from the 2021/22 Annual Audit Report considered earlier in the meeting. Progress on all outstanding recommendations (including those from the 2020/21 audit) was detailed in the right hand column:

- With regard to the review of governance documentation, Standing Orders had been approved at the previous Board meeting in June 2022, a draft Scheme of Delegation was to be considered later in this meeting, and officers were working through other documents including Financial Regulations and Contract Standing Orders.
- With regard to skills analysis and training, the Clerk continued to work with the Improvement Service as well as arranging induction training for the new members.
- A root cause analysis and lessons learned review would be undertaken and reported to the Board in December.

In response to a query from the Convener on training dates for the new members and substitute members, the Clerk advised that colleagues were attempting to identify dates which suited both Orkney and Shetland members.

Gary Robinson referred to the continuing improvement in governance but felt it would be remiss if he did not mention the late circulation of some papers for this meeting and sought assurance this would not be repeated. The Clerk advised that the reason for the late circulation of the Annual Audit Report and the Annual Accounts was as a result of finalising queries regarding the pension liability, which was highlighted in the Annual Audit Report.

Further, the Clerk had considered withdrawing the papers and calling another meeting, however with the deadline for signing the accounts, as well as the difficulty in identifying a suitable date for both Shetland and Orkney members, she had consulted the Convener and the Depute Convener and it was agreed to table the papers at this meeting. In light of this, Deloitte LLP had been requested to provide a more detailed presentation.

The Board noted:

**8.1.** The updated Action Plan, attached as Appendix 1 to the report by the Clerk to the Board, which incorporated actions arising from the 2021/22 Audit, as well as the outstanding actions arising from the 2020/21 Audit.

**8.2.** That a further update on progress would be presented to the Board, at its meeting to be held in December 2022.

## **9. Governance Review – Action Plan**

There had been previously circulated a report by the Clerk to the Board providing an update on progress with the Action Plan arising from the review of governance arrangements for the Orkney and Shetland Valuation Joint Board.

The Clerk advised that this action plan arose from a governance review which the Improvement Service was asked to undertake, following the outcome of the 2020/21 annual audit. Interviews were held with previous Board members and relevant officers to see where improvements were required – the resulting action plan contained actions very similar to the audit report recommendations. Good progress continued to be made on the 12 actions, with those still in progress relating, in the main, to further training, including induction for new members, and self-assessment, hence why the target dates were recommended for amendment.

The Board noted:

**9.1.** The updated Action Plan arising from the review of governance arrangements, attached as Appendix 1 to the report by the Clerk to the Board.

**9.2.** That a further update on progress would be presented to the Board, at its meeting to be held in December 2022.

The Board **resolved**:

**9.3.** That the undernoted action plan target dates be amended as follows:

- Action 3 – from 31 March 2022 to 31 March 2023.
- Action 6 – from 30 April 2022 to 31 March 2023.

## **10. Scheme of Delegation**

There had been previously circulated a report by the Clerk to the Board presenting a consultative draft Orkney and Shetland Valuation Joint Board Scheme of Delegation.

The Clerk advised that, following adoption of revised Standing Orders at the previous meeting, this was the next in a series of governance documentation for the Board to consider.

The draft Scheme of Delegation sought to provide clarification on decision making at officer level, something which the Board did not currently have in place. The document had been developed taking in best practice from other Boards and it was proposed to consult Board members, as well as appropriate support officers in the constituent councils, with a final draft submitted to the meeting in December 2022 for consideration.

Dr Stephen Clackson queried whether the Scheme would be reviewed, following approval. The Clerk confirmed that the document presented at this meeting was still a consultative draft and, if the Board was in agreement with the content, this would then be subject to consultation. As with all governance documentation, following a period of operation, it was good practice to undertake a review to ensure it remained fit for purpose.

The Board noted:

**10.1.** That, on 3 March 2022, when considering a review of the Constitution, the Board noted:

- That the Board did not currently have a Scheme of Delegation to Officers.
- That a review of the Constitution and associated governance documents was underway.

**10.2.** That the Board subsequently resolved that the Clerk present revised Standing Orders and a Scheme of Delegation to Officers to the next meeting of the Board to be held in June 2022.

**10.3.** That, on 30 June 2022, the Board delegated powers to the Clerk to finalise and publish the draft Standing Orders, incorporating the Constitution, taking account of amendments agreed at that meeting.

**10.4.** That a draft Scheme of Delegation had been developed, with reference to good practice in other Valuation Boards, for consultation with Board Members and Officers.

The Board **resolved**:

**10.5.** That the Clerk undertake consultation on the draft Scheme of Delegation to Officers and present the outcome to the next meeting of the Board to be held in December 2022, together with a revised draft Scheme of Delegation to Officers for consideration.

## **11. State Funeral for Her Majesty The Queen**

There had been previously circulated a report by the Clerk to the Board advising of an urgent matter which required an immediate decision in respect of the provision of the additional bank holiday on 19 September 2022, which was announced for the State Funeral of Her Majesty The Queen.

Following the announcement on 12 September 2022 that Her Majesty The Queen's State Funeral would be held on 19 September 2022 and the UK and Scottish Governments' announcement that this day would be a Bank Holiday, the Assessor and the Clerk considered the most appropriate way to provide employees of the Board with the additional bank holiday. It was concluded that this would be best provided by way of a one-off additional day of annual leave to be taken on 19 September 2022.



Given the very short timeframe, it was not possible to call a meeting of the Board to consider the proposal, therefore it was deemed appropriate by the Clerk that the matter could be considered in accordance with Standing Order 4.29, which stated:

“In the event of an urgent matter arising which requires an immediate decision, the Clerk, or his/her nominee, may take action on behalf of the Board, having consulted with the Convener or Depute Convener, whichever is appropriate and available. A short report of the action taken shall be submitted to a meeting of the Board as soon as possible and no later than the next meeting.”.

Both the Convener and the Depute Convener were consulted, in writing, and provided agreement with the proposal to grant a one-off additional day of annual leave to be taken on 19 September 2022.

The Board noted:

**11.1.** That, on 12 September 2022, the UK and Scottish Governments announced that Her Majesty The Queen’s State Funeral would be held on 19 September 2022, and that the date would be a bank holiday.

**11.2.** That, in terms of Standing Order 4.29, following consultation with the Convener and the Depute Convener, the Clerk took an urgent decision, to provide for a one-off additional day of annual leave for all employees of the Orkney and Shetland Valuation Joint Board to be taken on 19 September 2022 and for part time employees who were not due to work on the day, a pro rata allocation was added to their annual leave entitlement for the year.

## **12. Date of Next Meeting**

It was agreed that the next meeting be held, in person, in Shetland on 8 December 2022, with arrangements to be confirmed as soon as possible.

Provisional dates for future meetings:

- 2 March 2023 – virtual meeting.
- 29 June 2023 (to include draft Annual Accounts for 2022/23) – in Orkney.
- 28 September 2023 (to include External Audit Annual Audit Report and final Annual Accounts for 2022/23) – virtual meeting.
- 14 December 2023 – in Shetland.

## **13. Conclusion of Meeting**

The Convener thanked everyone for attending the meeting and commented on the good work being undertaken. However, the Board should not be complacent and he hoped to move forward in a collegiate manner.

There being no further business, the Convener declared the meeting concluded at 11:30.

Signed: