



Scottish Land Commission

Planning report to the Audit and Risk Committee on the 2024/25 audit –
Issued on 29 January 2025 for the meeting on 13 February 2025

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

Introduction

I have pleasure in presenting our planning report to the Audit and Risk Committee (“the Committee”) of Scottish Land Commission (“SLC”) for the 2024/25 audit. I would like to draw your attention to the key messages of this paper.

Audit approach

Materiality

The concept of materiality is fundamental to the audit. It is applied throughout the audit to evaluate the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.

We have determined preliminary materiality of £48,000 (2023/24: £30,000) for the 2024/25 audit. This represents 3% (2023/24: 2%) of Grant-in-Aid funding. Based on the role of SLC we selected this funding as the most appropriate benchmark.

Performance materiality has been set at £36,000 (2023/24: £22,000), representing 75% (2023/24: 75%). We will report misstatements found in excess of £2,400, or those below that threshold if we consider them qualitatively material.

Audit risks

We plan our audit of the financial statements to respond to the risks of material misstatement to transactions and balances and irregular transactions. Based on our initial risk assessment we have identified following significant risks (page 7):

- Operating within expenditure resource limits; and
- Management override of controls.

We will update the audit committee on any changes.

Areas of audit focus

We have identified the disclosure of defined benefit pension balances as an area of audit focus, this is summarised on page 10.

Audit timetable

Our timetable is summarised on page 16, we understand the financial statements are to be approved on 11th of September 2025.

Controls

We do not plan to rely on any controls as part of our audit.

IT Systems

We understand SLC plan to move onto Sage from Xero on 1 April 2025. We will monitor progress with management as part of our Wider Scope requirements.

Wider Scope and Best Value requirements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for the wider-scope areas and concluded that it is appropriate to apply the “less complex bodies” exemption to SLC (page 11).

As part of this work, we will consider the arrangements in place to secure Best Value (BV).

Team

Following the retirement of Pat Kenny, Sarah McGavin will be the audit engagement lead.

Sarah McGavin
Director

Our audit explained

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of auditors

Our responsibilities are set out on page [22](#) and [23](#).

Responsibilities of the Audit and Risk committee

As explained further in the Responsibilities of the Audit and Risk Committee slide on page [15](#), the Audit and Risk Committee is responsible for:

- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee or by the Board itself).
- Monitoring and reviewing the effectiveness of the internal audit function.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been or are being taken to remedy any significant failings or weaknesses.

Scope of work and approach

We have the following key areas of responsibility under the Code of Audit Practice

Opinion on Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) ("ISA (UK)") and the Code of Audit Practice issued by Audit Scotland. SLC will prepare its accounts in accordance with the Applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (FReM) and the Land Reform (Scotland) Act 2016 and directions made thereunder by the Scottish Ministers.

Reporting on other requirements

Our responsibilities also include:

- an opinion on the regularity of expenditure and income;
- an opinion on the audited parts of the Remuneration and Staff Report;
- under the Code of Audit Practice to read the information included in the Performance Report and the Governance Statement, and opine whether they are consistent with the financial statements; and
- In accordance with ISAs (UK) to read the other information accompanying the financial statements and report by exception any material misstatements we identify.

Our reporting will be addressed to SLC, the Auditor General for Scotland, and the Scottish Parliament.

Wider-scope requirements, including considering and reporting on Best Value arrangements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in respect of:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

As part of this wider-scope audit work, we also are required to consider whether there are appropriate organisation arrangements in place to secure Best Value in public services. Our approach to our wider-scope audit work is detailed on page [11](#).

Other reporting requirements

Anti-money laundering - We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances will be advised to Audit Scotland.

Fraud returns - We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies:

- Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control.
- Over £5,000.

Scope of work and approach (continued)

Our approach

Liaison with internal audit and local counter fraud

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and where they have identified specific material deficiencies in the control environment, consider adjusting our testing so that the audit risk is covered by our work.

Impact of your control environment on our audit

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Reliance on controls: Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I"), page [18](#) summarises the controls we plan to examine. We do not take a controls reliance approach to our audit.

Performance materiality: We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate.

Given the positive findings from our previous audit, we have maintained the same performance materiality benchmark for the current year.

IT environment

A quality IT environment underpins a good control environment, particularly as IT controls are configurable and often preventative in nature. In the prior year our IT specialists concluded that SLC's IT environment applicable to financial processes is simple in nature and none of our significant audit risk areas are impacted by IT systems. We will therefore not perform IT testing as part of our audit.

We have identified that a new financial system will be implemented within the Commission on 1 April 2025. We are currently working with management to understand the changeover and the impact this will have on SLC and our audit.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards ("IFRS") disclosure checklists in conjunction with the requirements of the FReM to support SLC in preparing high quality drafts of the Annual Report and Accounts, which we would recommend SLC complete during drafting.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Page no.
Management override of controls		DI			8
Operating within expenditure resource limits		DI			9

Level of management judgement



Significant management judgement



A degree of management judgement



Limited management judgement

Controls approach adopted



Assess design & implementation

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override SLC's controls for specific transactions.

The key judgment in the Annual Report and Accounts is that which we have selected to be the significant audit risk – operating within expenditure resource limits. This is inherently the area in which management has the potential to use their judgment to influence the Annual Report and Accounts.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will gain an understanding of the overall control environment;
 - We will test the design and implementation of controls relating to journals and accounting estimates;
 - We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
 - We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts. We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest;
 - We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above;
 - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
-

Significant risks (continued)

Operating within the expenditure resource limits

Risk identified	In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition. We consider this fraud risk to be focused on how management operate within the expenditure resource limits set by the Scottish Government. The risk is that SLC could materially misstate expenditure in relation to year-end transactions, in an attempt to align with its tolerance target or achieve a breakeven position. The significant risk is therefore pinpointed to the cut off and completeness of accruals and the existence of prepayments made by management at the year end and invoices processed around the year end as this is the area where there is scope to manipulate the final results. Given the financial pressures across the whole of the public sector, there is an inherent fraud risk associated with the recording of accruals and prepayments around year end.
Our response	We will evaluate the results of our audit testing in the context of the achievement of the limits set by the Scottish Government. Our work in this area will include the following: • Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end; • Obtain independent confirmation of the resource limits allocated to SLC by the Scottish Government; • Perform focused testing of a sample of accruals and prepayments made at the year-end; and • Performing focused cut-off testing of a sample of invoices received and paid around the year-end.

Other areas of audit focus

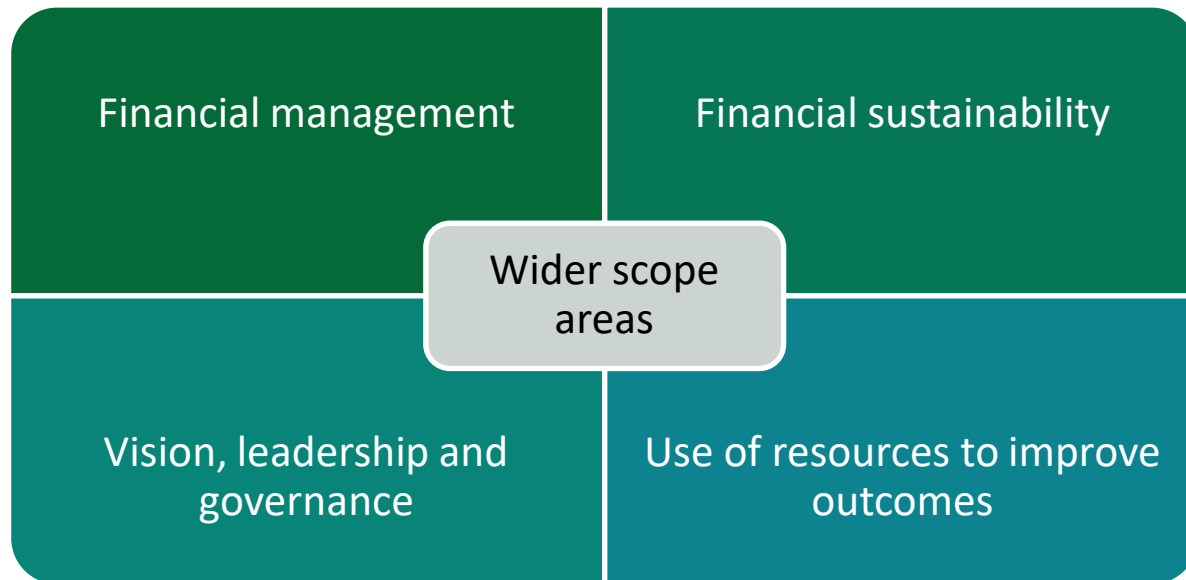
We have identified the below areas of audit interest, although do not consider these to be significant risks

Risk identified	Disclosure of defined benefit pension balances
Summary	SLC staff members are eligible to be members of the Principal Civil Service Pension Scheme, however SLC does not disclose the assets and liabilities attributable to SLC on its Statement of Financial Position. This is a result of the challenges of separating out the individual assets and liabilities attributable to participating bodies, and as a result the FReM allows the Principal Civil Service Pension Scheme to be treated as a defined contribution scheme and no disclosure on the Statement of Financial Position. We will continue to review this position to ensure that it is appropriate and in accordance with disclosure requirements.

Wider scope requirements

Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



The Scottish Public Finance Manual (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services. As part of our wider scope audit work, we will consider whether there are organisational arrangements in place in this regard.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response on the following pages.

Wider scope requirements (continued)

Significant risks

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and concluded that it is appropriate to apply the “less complex bodies” exemption to SLC on the basis of the following quantitative and qualitative criteria:

- SLC is not of strategic importance to the Auditor General, is not a listed entity, charity and does not prepare group accounts.
- SLC has not requested a full wider scope.
- Gross revenue, assets and liabilities are all below £10.2m, which in accordance with the planning guidance, is likely be considered “less complex”.
- Based on qualitative criteria from our planning work and our work conducted throughout the 2023/24 audit, we have not identified any wider scope risks beyond financial sustainability, as set out below.

Area	Significant risks identified	Planned audit response
Financial sustainability	SLC have a medium term financial plan in place that highlights the potential gaps in future funding if the level of Grant-in-Aid (GiA) were not increased. Similarly to what we have noted in the previous year, The Scottish Government’s Land Reform Bill consultation also has the potential to significantly change the responsibilities of the SLC. Consideration of the Land Reform Bill at Stage 1 is to be completed by 28 March 2025. This has the potential to impact on delivery and subsequently, increased staffing requirements. Additional Grant-in-Aid set to be provided is currently being reviewed by the Sponsor team. There is therefore a significant risk that robust medium term planning arrangements are not in place to ensure that SLC can manage its finances sustainably and deliver services effectively. On 1 April 2025, SLC will transition from Sage to Xero financial systems. As part of our wider scope remit, we will monitor the Commission’s transition process to determine any potential disruption to financial reporting and budgeting.	We will assess the development of the 2025/26 budget and SLCs actions in respect of its medium term financial plan to assess whether financial balance can be achieved. As part of this, we will consider how SLC is managing the potential risks associated with the changes that could come from amendments to the Land Reform Bill, given that it is in its implementation phase. We will be monitoring progress being made to support the conversion.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you.

Use of this report

This report has been prepared for SLC, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to SLC.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

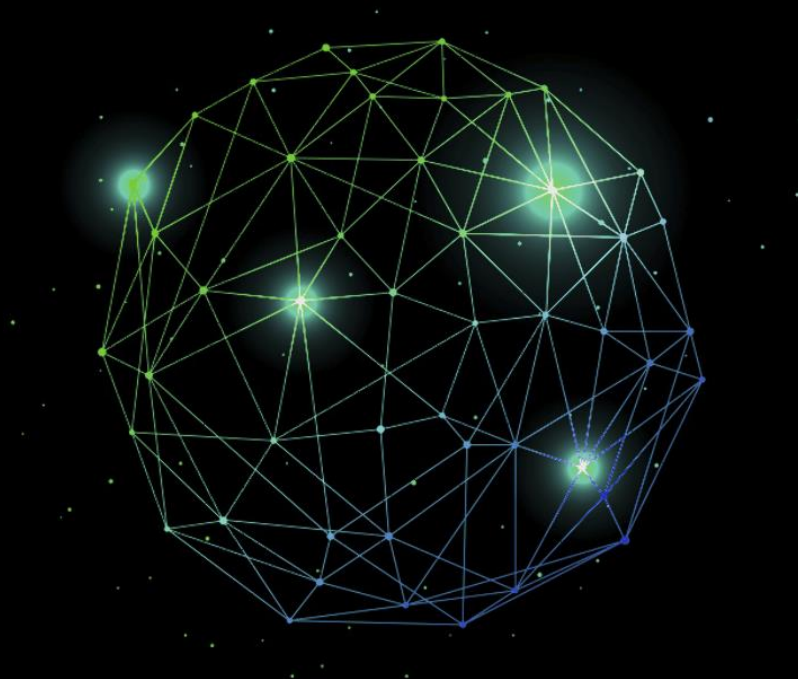
Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

Aberdeen | 29 January 2025

Appendices



Responsibilities of the Audit and Risk Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit and Risk Committee?

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit and Risk Committee has significantly expanded. We set out here a summary of the core areas of Audit and Risk Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit and Risk Committee in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Monitor engagement of the external auditor to supply non-audit services.

Oversight of external audit

Integrity of reporting

Internal controls and risks

- Review the internal control and risk management systems (unless expressly addressed by separate risk committee).
- Explain what actions have been or are being taken to remedy any significant failings or weaknesses.

Oversight of internal audit

Whistle-blowing and fraud

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

- Impact assessment of key judgements and level of management challenge.
- Review of external audit findings, key judgements, level of misstatements.

- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Board, provide advice in respect of the fair, balanced and understandable statement.

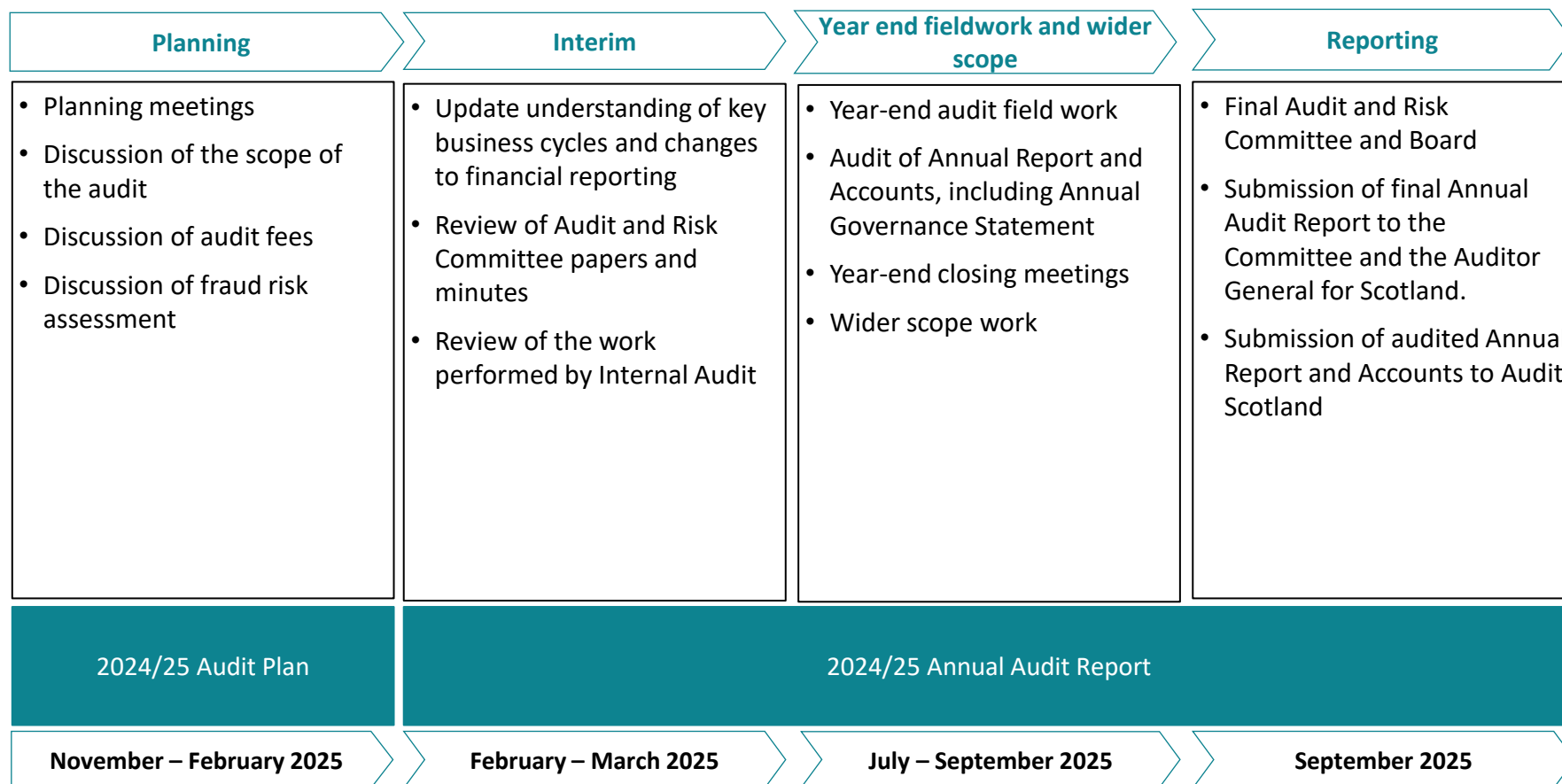
- Consider annually whether the scope of the internal audit programme is adequate.

- Monitor and review the effectiveness of the internal audit activities.

Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Ongoing communication and feedback

Continuous communication and reporting (continued)

Our key areas of responsibility under the Code of Audit Practice

Auditors activity	Planned output	Proposed reporting timeline to the Committee	Audit Scotland/ statutory deadline
Audit of Annual Report and Accounts	Annual Audit Plan	13 February 2025	31 March 2025
	Independent Auditor's Report	11 September 2025	31 October 2025
	Annual Audit Report	11 September 2025	31 October 2025
Wider-scope areas	Annual Audit Plan	13 February 2025	31 March 2025
	Annual Audit Report	11 September 2025	31 October 2025
Consider and report on Best Value arrangements	Annual Audit Plan	13 February 2025	31 March 2025
	Annual Audit Report	11 September 2025	31 October 2025

Your control environment

Design and Implementation of controls testing

The following have been identified as the key controls within SLC which will be subject to D&I testing. We will assess the effectiveness of the design of controls and evaluate whether controls have been implemented as expected. Our testing will combine enquiry of key staff and walkthroughs to demonstrate the controls taking place.

Control	Risk Addressed	Expected Timing of Testing
1. Approval of journal entries	Management override of controls	Interim
2. Monthly monitoring of financial performance	Management override of controls; Operating within expenditure resource limits	Interim
3. Reconciliation of Scottish Government Grant in Aid funding	Operating within expenditure resource limits	Interim
4. Reconciling payroll reports	Management override of controls ^[A]	Interim
4. Year-end accruals and prepayments	Operating within expenditure resource limits	Year-end

^[A] The payroll processing at SLC is performed by the Cairngorms National Park Authority, and reports received by SLC are reviewed before processing. We have not identified payroll as a significant risk area, however as it represents a significant portion of expenditure in the financial statements we have identified this as a relevant control.

Our approach to quality

Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

ISQM (UK) 1 sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

The effective ongoing operation of ISQM (UK) 1 has been and remains a key element of Deloitte's global audit and assurance quality strategy and of the UK firm.

Deloitte UK performed its second annual evaluation of its system of quality management as of 31 May 2024. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2024.

For further details surrounding the conclusion on the operational effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosure within Appendix 5 of our publicly available [Transparency Report](#).



Our approach to quality (continued)

FRC 2023/24 Audit Quality Inspection and Supervision report

Audit quality shapes our vision of the business we want to be, driving our priorities and defining our successes.

In July 2024, the Financial Reporting Council ("FRC") issued individual reports on each of the six largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review ("AQR") team for the 2023/24 cycle of reviews. We value the observations raised by both the FRC Supervision teams and the ICAEW Quality Assurance Department ("QAD"), both in identifying areas for improvement and also the ongoing focus on sharing good practice to drive further and continuous improvement.

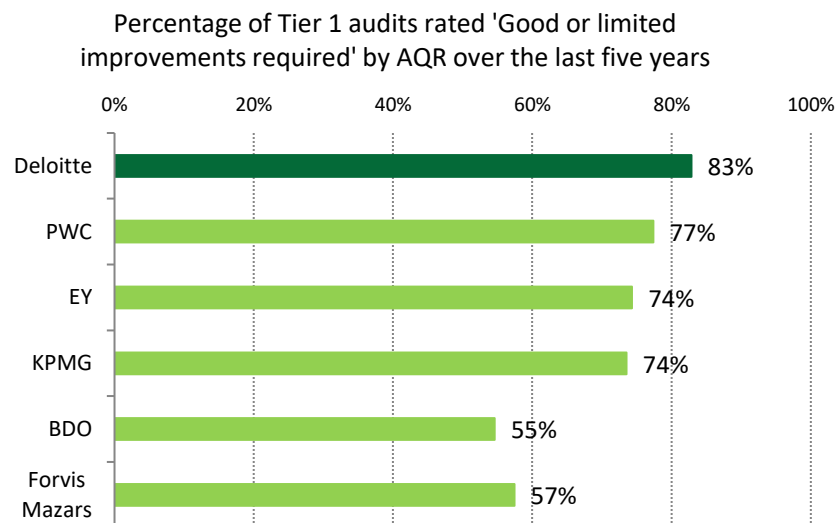
We are proud that the results of our FRC inspections show that 94% (2022/23: 82%) of our public interest audits were rated as 'good' or 'limited improvements' and that 100% (2023: 100%) of our audits reviewed by the ICAEW's QAD were assessed as good or generally acceptable.

These sets of results reflect the continuous investment we are making and our commitment to acting in the public interest to deliver confidence and trust in business through our high quality audits. We recognise we still have more we want to do to ensure that we consistently meet the high standards we expect of ourselves. We take inspection, system of quality management ("SoQM") and supervision focus areas seriously and place a significant level of resource and effort into understanding how we continually improve going forward.

We are pleased to see the positive impact of actions taken over the last 12 months to address findings raised by the FRC. We have a reduction in the number of key findings and none of the AQR findings from the 22/23 inspection cycle have recurred as key findings in this year's cycle.

We welcome the breadth and depth of good practice points raised by the FRC and ICAEW, particularly in respect of effective group oversight, contract accounting and the challenge of management, where we have continued to take action to support the high-quality execution of audit work.

All the AQR public reports are available on the [FRC's website](#).



Prior year audit adjustments

Uncorrected misstatements

There were no unadjusted misstatements noted during the 2023/24 audit.

Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in operating within expenditure resource limits and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our other responsibilities explained (continued)

Fraud responsibilities

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the Chair of the Audit and Risk Committee.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of SLC and will reconfirm our independence and objectivity to the Audit and Risk Committee for the year ending 31 March 2025 in our final report to the Audit and Risk Committee.
Fees	Audit Scotland have not yet communicated the expected fee for 2024/25, we will provide an update to the committee once we have been notified. There are no non-audit fees.
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and SLC's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	We have no other relationships with SLC, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Sector developments

2024-25 reporting update

Overview and observations

HM Treasury has published updated guidance setting out the principles and standards underpinning sustainability reporting for use in central government. The guidance applies to reporting periods from 2024-25 and is available at: [Sustainability Reporting Guidance 2024-25](#).

The guidance outlines the minimum statutory reporting requirements that must be met, provides some best practice examples and also indicates the underlying principles that should be adopted in preparing the information. The guidance is applicable to all central government bodies that fall within the scope of the Greening Government Commitments (GGCs), and which produce annual reports and accounts in accordance with HM Treasury's Government Financial Reporting Manual (FRM).

The updated guidance emphasises the increasing importance of sustainability reporting and alignment with evolving global standards like the TCFD.

The principal focus of the guidance is on reporting quantitative data on emissions, waste and finite resource consumption.

Next steps

We recommend that management consider the implications of the updated HM Treasury guidance, noting the Scottish Government has still to adopt the guidance fully, for the organisation's sustainability reporting processes and review whether any adjustments to existing reporting practices are necessary to incorporate emerging best practices.

The State of the State

Background and overview

The 12th edition of Deloitte and Reform's report on the UK public sector was launched in January 2024. Since 2012, we have aimed to create an annual snapshot of what's happening across government and public services to serve as an evidence base for informed discussion.

This year's State of the State finds public attitudes are concerned with NHS waiting lists, immigration and the country's infrastructure – alongside the increased cost of living crisis from prior years.

After years of reacting to crises, the latest State of the State report finds officials across the public sector eager for reform and calling for bold decisions about the future of government and public services.

Some key findings:

- The public expects big government to continue – but could be in for a shock
- Government needs to prioritise, so its aspirations match its resources
- People want public services they can access and complain to when things go wrong
- Digital maturity comes with mature digital problems

Next steps

Full report is available at: [The State of the State 2024 | Deloitte UK](#)

Sector developments (continued)

Fiscal sustainability and reform in Scotland

Key messages

- **Unsustainable Spending:** Current spending patterns are unaffordable, relying on short-term fixes that create long-term risks.
- **Widening Funding Gap:** A growing gap between spending and funding is projected, driven by rising demands in health, social care, and social justice.
- **Lack of Long-Term Vision:** The Scottish Government has not set out a clear vision for reform or a concrete plan to achieve fiscal sustainability.
- **Insufficient Leadership & Governance:** Weak governance arrangements and a lack of clear leadership are hindering the progress of public service reform.
- **Limited Transparency & Scrutiny:** Delays in publishing key financial strategies and insufficient public reporting are limiting transparency and scrutiny.
- **Unclear Impact of Reform:** The Scottish Government has not clearly articulated how reform will impact the affordability of public services or different groups in society.

Recommendations

- **Publish Medium-Term Strategies:** Immediately release financial and infrastructure strategies, including a transparent Fiscal Sustainability Delivery Plan outlining risks and management options.
- **Strengthen Public Service Reform:**
 - By Summer 2025, present a clear vision for reform, including its contribution to fiscal sustainability, cost implications, timelines, and impact assessments.
 - By end of 2024/25, embed new governance arrangements to support this vision.
 - By 2026/27 budget, improve data collection on reform savings, costs, and progress.
 - By September 2025, review and update mandate letters to align with reform priorities.
 - Integrate equalities and human rights considerations into reform decisions and report on progress by end of 2025.

Fiscal sustainability and reform in Scotland





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