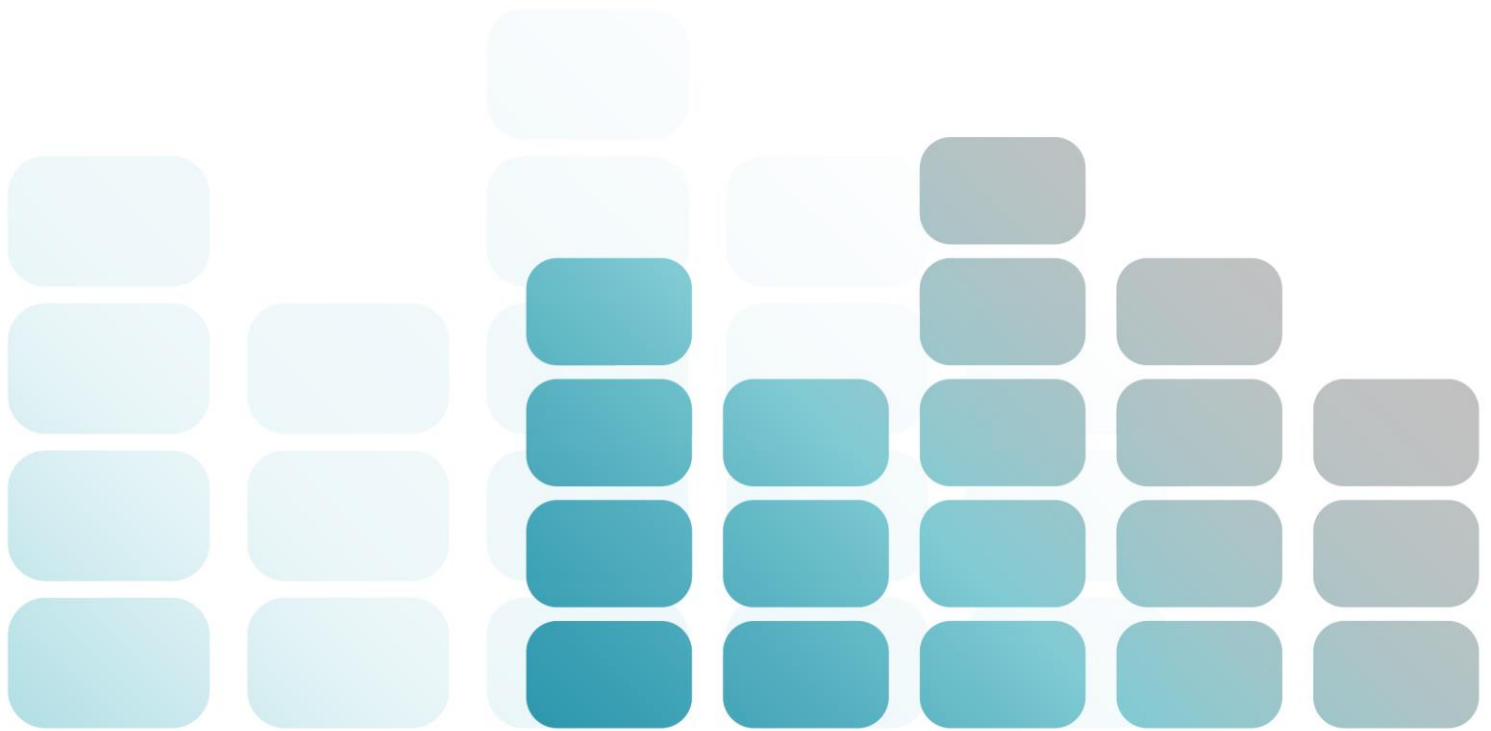


Highland and Western Isles Joint Valuation Board

Annual Audit Plan 2024/25



 AUDIT SCOTLAND

Prepared for Highland and Western Isles Valuation Joint Board
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Introduction

Purpose of the Annual Audit Plan

1. The purpose of this Annual Audit Plan is to provide an overview of the planned scope and timing of the 2024/25 audit of Highland and Western Isles Valuation Joint Board (the Joint Board) annual accounts. It outlines the audit work planned to meet the audit requirements set out in [auditing standards](#) and the [Code of Audit Practice](#), including supplementary guidance.

Appointed auditor and independence

2. Esther Scoburgh, of Audit Scotland, has been appointed by the Accounts Commission as external auditor of the Joint Board for the period from 2022/23 until 2026/27. The 2024/25 financial year is therefore the third of the five-year audit appointment.

3. The audit team are independent of the Joint Board in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with ethical standards. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

4. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. There are no such relationships pertaining to the audit of the Joint Board to communicate.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, the Management Commentary, and the Annual Governance Statement, and an opinion on the audited part of the Remuneration Report.
- Conclusions on the arrangements in relation to the wider scope areas: concluding on the Financial Sustainability of the Joint Board.
- Provision of an Annual Audit Report setting out significant matters identified from the audit of the annual accounts and the wider scope areas specified in the Code of Audit Practice supplementary guidance

Responsibilities

6. The Code of Audit Practice sets out the respective responsibilities of the Joint Board and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the Joint Board's arrangements in place for the wider scope areas.

Highland and Western Isles Valuation Joint Board responsibilities

8. The Joint Board has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements and other information that gives a true and fair view.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Establishing an internal audit function.

Audit of the annual accounts

Introduction

9. The audit of the annual accounts is driven by materiality and the risks of material misstatement in the financial statements, with greater attention being given to the significant risks of material misstatement. This chapter outlines materiality, the significant risks of material misstatement that have been identified, and the impact these have on the planned audit procedures.

Materiality

10. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts. Materiality is used to determine whether matters identified during the audit could reasonably be expected to influence the decisions of users of the financial statements.

11. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Materiality is ultimately a matter of the auditor’s professional judgement. The materiality levels determined for the audit of the Joint Board are outlined in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for Highland and Western Isles Valuation Joint Board

Materiality	Amount
Materiality: Based on an assessment of the needs of users of the financial statements and the nature of operations, the benchmark used to determine materiality is gross expenditure based on the audited 2023/24 financial statements. Materiality has been set at 2% of the benchmark.	£69,000
Performance materiality: This acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate that further audit procedures are required. Using professional judgement, performance materiality has been set at 75% of planning materiality.	£52,000
Reporting threshold: All misstatements greater than the reporting threshold will be reported.	£4,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

12. The risk assessment process draws on the audit team's cumulative knowledge of the Joint Board, including the nature of its operations and its significant transaction streams, the system of internal control, governance arrangements and processes, and developments that could impact on its financial reporting.

13. Based on the risk assessment process, significant risks of material misstatement to the financial statements have been identified and these are summarised in [Exhibit 2](#). These are the risks which have the greatest impact on the planned audit approach, and the planned audit procedures in response to the risks.

14. The risk assessment process is an iterative and dynamic process. The assessment of risks set out in this Annual Audit Plan and [Exhibit 2](#) may change as more information and evidence is obtained over the course of the audit. Where such changes occur, these will be reported to management and those charged with governance, where relevant.

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Substantive testing of income and expenditure transactions around the year-end to confirm

Risk of material misstatement	Planned audit response
	they are accounted for in the correct financial year. • Focused testing of accounting accruals and prepayments.

Source: Audit Scotland

Key audit matters

15. The Code of Audit Practice requires public sector auditors to communicate key audit matters. Key audit matters are those matters, that in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

16. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

17. In addition to the significant risk of material misstatement in Exhibit 2 above the following key audit matter has been identified as part of our planning process and will be reported on in our Annual Audit Report.

18. Pension valuation: The pension valuation requires the use of an actuarial methodology based on a range of assumptions including financial and demographic assumptions. Small movements in these can result in material changes to valuations as was the case in the last two prior years. We will assess the scope, independence and competence of the professionals engaged in providing estimates for pensions and review appropriateness of actuarial assumptions and results and compare with similar organisations. We will establish officer's arrangements for ensuring the reasonableness of professional estimations and the accuracy of information provided to the actuary by the council

Wider scope

Introduction

19. Reflecting the fact that public money is involved, the Code of Audit Practice requires that public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit set out by the Code of Audit Practice broadens the audit of the annual accounts to include consideration of additional aspects or risks in four wider scope areas:

- Financial management
- Financial sustainability
- Vision, leadership and governance
- Use of resources to improve outcomes

20. Due to the nature and size of the Joint Board and its limited financial activity, it is considered a less complex body for the wider scope audit. Therefore, the wider scope audit does not consider all four wider scope areas and is instead limited to concluding on the financial sustainability of the Joint Board.

21. Financial sustainability means looking forward over the medium and longer term in planning the services to be delivered and how they will be delivered effectively. This is assessed by considering the Joint Board's medium- to longer-term planning for service delivery. Financial sustainability will be reported on in the Annual Audit Report.

Reporting arrangements, timetable and audit fee

Audit outputs

22. The outputs from the 2024/25 audit include:

- This Annual Audit Plan.
- An Independent Auditor's Report to the Joint Board and the Accounts Commission setting out opinions on the annual accounts.
- An Annual Audit Report to the Joint Board and the Accounts Commission setting out significant matters identified from the audit of the annual accounts, conclusions on financial sustainability, and recommendations, where required.

23. The matters to be reported in the outputs will be discussed with the Joint Board for factual accuracy before they are issued. All outputs from the audit will be published on Audit Scotland's website, apart from the Independent Auditor's Report, which is included in the audited annual accounts.

24. Target dates for the audit outputs are set by the Accounts Commission. In setting the target dates for the audit outputs, consideration is given to the statutory date for approving the annual accounts, which is 31 October for local government bodies.

25. The Independent Auditor's Report and Annual Audit Report are planned to be issued to those charged with governance by 26 September 2025 and will be signed at the Board meeting scheduled for 7 October 2025.

26. Going forward, the audit team are working towards completion of the audit and signing of the accounts by the Accounts Commission's target of 30 September.

Audit timetable

27. Achieving the timetable for production of the annual accounts, supported by complete and accurate working papers, is critical to delivery of the audit to agreed target dates. [Exhibit 3](#) includes a timetable for the audit, which has been agreed with management. Agreed target dates will be kept under review as the audit progresses, and any changes required,

and their potential impact, will be discussed with the Joint Board and reported to those charged with governance, where required.

Exhibit 3

2024/25 audit timetable

Audit activity	Audit team target date	Board meeting date
Issue of Annual Audit Plan	7 February 2025	18 February 2025
Annual accounts:		
Consideration of unaudited annual accounts by those charged with governance	30 June 2025	N/A
Submission of unaudited annual accounts and all working papers to audit team	30 June 2025	N/A
Latest date for audit clearance meeting	9 September 2025	N/A
Agreement of audited and unsigned annual accounts	9 September 2025	N/A
Issue of proposed: • Letter of Representation (ISA 580) • Independent Auditor's Report • Proposed draft Annual Audit Report	26 September 2025	7 October 2025
Approval by those charged with governance and signing of audited annual accounts	7 October 2025	7 October 2025
Signing of Independent Auditor's Report and issue of Annual Audit Report		

Audit fee

28. The Joint Board's audit fee is determined in line with Audit Scotland's fee setting arrangements. The confirmed audit fee for the 2024/25 audit is £9,510 (2023/24: £9,330).

29. In setting the audit fee, it is assumed that the Joint Board has effective governance arrangements in place and the complete annual accounts will be provided for audit in line with the agreed timetable. The audit fee assumes there will be no significant changes to the planned scope of the audit. Where the audit cannot proceed as planned, for example, due to incomplete or inadequate working papers, the audit fee may need to be increased.

Other matters

Internal audit

30. The Joint Board is responsible for establishing an internal audit function as part of an effective system of internal control. As part of the audit, the audit team will obtain an understanding of internal audit, including its nature, responsibilities, and activities.

31. While internal audit and external audit have differing roles and responsibilities, external auditors may seek to rely on the work of internal audit where it is considered appropriate. A review of internal audit's 2024/25 audit plan was carried out to identify if there were any areas where the audit team could rely on its work. The audit team concluded it will not rely on internal audit's work. However, the audit team will review internal audit's reports and assess if there is any impact on the audit.

Audit quality

32. Audit Scotland is committed to the consistent delivery of high-quality audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Details of the arrangements in place for the delivery of high-quality audits is available from the [Audit Scotland website](#).

33. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2024/25 audits are:

- ISQM (UK) 1, which deals with an audit organisation's responsibilities to design, implement, and operate a system of quality management (SoQM) for audits. Audit Scotland's SoQM consists of a variety of components, such as: governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring Audit Scotland is dedicated to high-quality audit through engagement performance and resourcing arrangements, and ensuring there are robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of its SoQM and has concluded it complies with this standard.
- ISQM (UK) 2, which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in an audit, to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions on high-risk audits.

34. To monitor quality at an individual audit level, Audit Scotland carries out internal quality reviews on a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews on a sample of audits.

35. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan, which is used to support continuous improvement. Progress with implementing planned actions is monitored on a regular basis by Audit Scotland's Quality and Ethics Committee.

36. Audit Scotland may periodically seek the views of the Joint Board on the quality of audit services provided. The audit team would also welcome feedback at any time.

Highland and Western Isles Joint Valuation Board

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