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Disclosure Scotland

Planning report to the Audit and Risk Committee on the 2024/25 audit – Issued on 13 February 2025 for the meeting on 19 February 2025

Contents

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 Disclosure Scotland ("DS") 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. Refer to page 7 for details on materiality.

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 the following significant risks (page 8):

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

Our risk assessment is continually evolving and as a result our assessment may change. If any changes occur, we will inform the Committee.

Audit timetable

Out timetable is summarised on page 18, we understand the financial statements are to be approved on 13 August 2025.

Controls

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

IT Systems

As part of a Scottish Government wide transformation programme DS are now using Oracle Cloud. A new Finance, Procurement and HR system. The implementation of Oracle will pose data migration and other transitional challenges. This will impact the control environment within DS and thus also impact our audit approach and procedures.

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 each area, building on any findings and conclusions from the previous audit, planning guidance from Audit Scotland and developments within the organisation during the year. Our wider scope significant risks are presented on pages 13 and 14.

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

Team

Stuart Kenny will act as the main audit contact during the year.

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 pre-conditions for an audit are present. These pre-conditions 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 the Audit and Risk Committee

As explained further in the Responsibilities of the Audit and Risk Committee slide on page 17, 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) ("ISAs (UK)") and the Code of Audit Practice issued by Audit Scotland. DS will prepare its accounts in accordance with applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual ("FReM") 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 DS, 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 organisational arrangements in place to secure Best Value in public services. Our approach to our wider scope audit work is detailed on page 12.

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

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"). We do not take a controls reliance approach to our audit.

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 the IT environment at DS applicable to financial processes was simple in nature and none of our significant audit risk areas were impacted by IT systems.

However, from October 2024 a new Finance, Procurement and HR system (Oracle) has been implemented giving rise to unique challenges, which have the potential to impact the control environment and financial reporting processes. We are currently performing procedures to understand the impact and determine our audit procedures. For more detail, please refer to page 11.

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 DS in preparing high quality drafts of the Annual Report and Accounts, which we would recommend DS complete during drafting.

Materiality

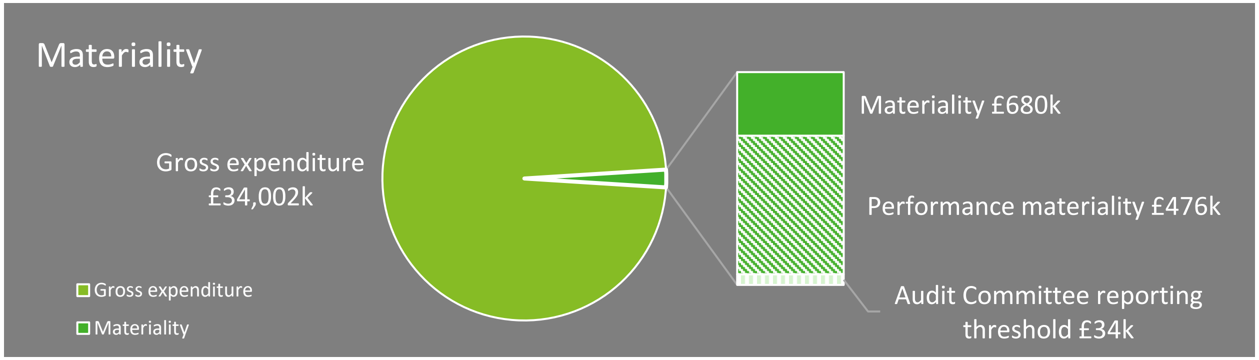
Our approach to materiality

Basis of our materiality benchmark

- We have determined preliminary materiality of £680,000 (2023/24: £740,000) for the 2024/25 audit. This represents 2% (2023/24: 2%) of expenditure. Based on the role of DS, we selected expenditure as the most appropriate benchmark.
- The expenditure forecast for 2024/25 has been used as the benchmark balance per the September 2024 management accounts.
- 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.
- Performance materiality has been set at £476,000 (2023/24: £518,000), representing 70% (2023/24: 75%) of materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate. We have applied 70% as performance materiality due to the new finance system causing a significant change in the control environment.

Reporting to those charged with governance

- We will report to you all misstatements found in excess of £34,000 (2023/24: £37,000); and
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Audit and Risk Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Page no.
Management override of controls	✓	DI	⚠	9
Operating within expenditure resource limits	✓	DI	⚠	10

Level of management judgement

- ⚠ Significant management judgement
- ⚠ A degree of management judgement
- ⚠ Limited management judgement

Controls approach adopted

- DI 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 DS's controls for specific transactions. The key judgment in the Annual Report and Accounts is the one which we have selected to be the significant audit risk, operating within the expenditure resource limits. This is inherently the area in which management have the potential to use their judgement 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 consider the overall control environment and 'tone at the top'; • 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; and • 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	Under auditing standards, there is a presumed risk of fraud in revenue recognition. However, in accordance with Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom), auditors of public sector bodies should also consider the risk of fraud in expenditure recognition. In our preliminary risk assessment, we have rebutted the risk of fraud in revenue recognition, which is consistent with our approach in the prior year. Instead, we believe that the risk of fraud should be focussed on expenditure recognition, and specifically on how management operate within the expenditure resource limits set by the Scottish Government. The risk is that DS 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 validity 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 perform the following procedures: • Evaluate the design and implementation of controls around the year-end accruals and prepayments process; • Obtain independent confirmation of the resource limits allocated to DS by the Scottish Government; • Test a sample of accruals to supporting documentation to check whether they are valid liabilities, that the amount accrued is appropriately supported, and that the liability had been incurred as at 31 March 2025; • Test a sample of prepayments to supporting documentation to check that the amount prepaid is appropriately supported, and that the amount prepaid relates to the 2025/26 financial year; and • Perform cut-off testing of a sample of invoices received and payments made around the year-end.

Other area of audit focus

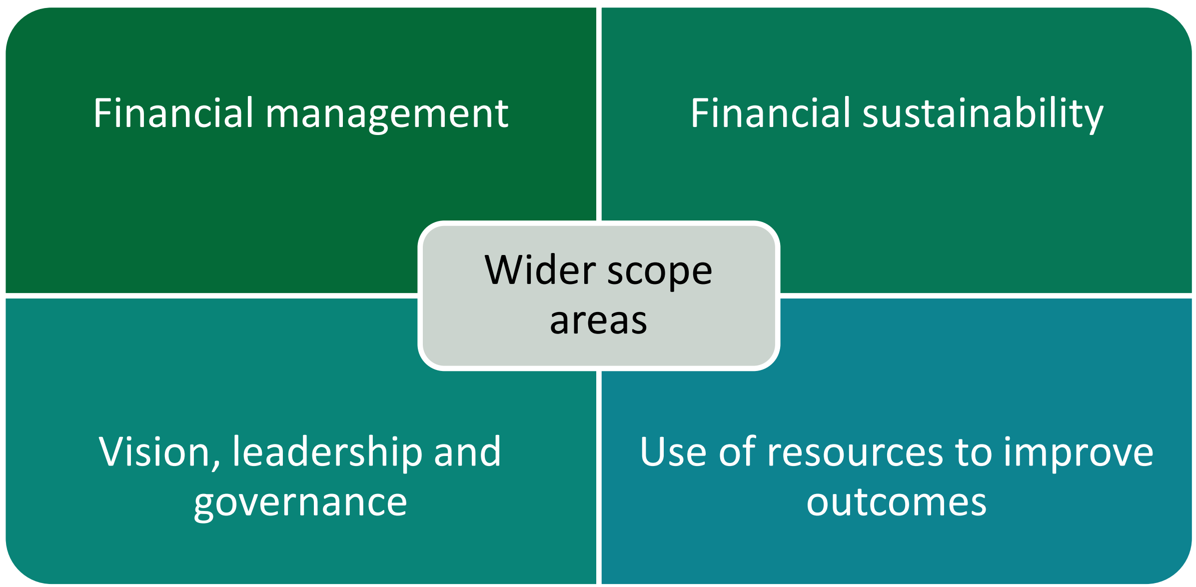
Change in IT System

Risk identified	In October 2024, DS changed its Finance, Procurement and HR systems from SEAS to Oracle Cloud as a result of a Scottish Government wide transformation programme. This has created an increased risk over completeness of data as data was migrated from SEAS to Oracle for the 2024/25 audit. Furthermore, because the transition occurred mid-year, DS operated on two separate systems during this financial year. Audit procedures will need to be performed to ensure that the data was transferred successfully and that there is no increased risk of material misstatement as a result of the system change.
Our response	The procedures the audit team will undertake are as follows: • As a result of this change in system, the audit team are required to perform walkthroughs of key controls and business processes over both systems (SEAS and Oracle), to ensure in the period both were designed appropriately and implemented correctly; • We will engage our IT team and perform additional procedures over processes and controls, which will require input from the Scottish Government's IT department; and • We will perform additional procedures on the reconciliation of the data transferred, to ensure the transfer of data from SEAS to Oracle is accurate and complete.

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

Area	Significant risks identified	Planned audit response
Financial management	We have not identified any significant risks in relation to financial management during our planning.	As part of our programme of work for 2024/25 we will review and assess the budget setting and monitoring arrangements in place.
Financial sustainability	DS has medium-term financial planning arrangements in place and is continuing a major organisational and digital transformation journey. There is a risk that DS may overspend on these projects and not have adequate resources to allow for the transformation to be fully implemented whilst meeting all objectives.	We will continue to monitor any developments within the financial strategy and delivery of the change programme, as well any impact on the future financial sustainability of the organisation.
Vision, leadership and governance	There have been no changes to leadership in FY 2024/2025. We have not identified any significant risks in relation to vision, leadership and governance during our planning.	As part of our 2023/24 wider scope work, we recommended that a formal succession plan should be documented. We will assess the progress made over succession planning.

Wider scope requirements (continued)
Significant risks

Area	Significant risks identified	Planned audit response
Use of resources to improve outcomes	DS continues to have a performance management framework in place with regular reporting to the Board. We have not identified any significant risks relating to use of resources to improve outcomes.	We will continue to assess the performance management framework that DS has in place to ensure that regular reporting to the Board continues throughout the year.

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.

What we don't report

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

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.

Use of this report

This report has been prepared for DS, 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.

Other relevant communications

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

Deloitte LLP

Deloitte LLP

Newcastle upon Tyne | 13 February 2025

Appendices

Appendix 1 - Responsibilities of the Audit and Risk Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit and Risk Committee?

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.

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

Oversight of external audit

- 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.

Integrity of reporting

- Impact assessment of key judgements and level of management challenge.

- Review of external audit findings, key judgements, and 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.

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

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

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

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.

Appendix 2 - 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.

Planning	Interim and wider scope	Year end fieldwork	Reporting
• Planning meetings to inform risk assessment and identify judgemental accounting issues. • Discussion of fraud risk assessment. • Discussion of the scope of the audit.	• Update understanding of key business cycles and changes to financial reporting. • Perform detailed risk assessments. • Review of Audit and Risk Committee papers and minutes. • Review of Internal Audit reports.	• Audit of Annual Report and Accounts, including Annual Governance Statement. • Complete wider scope work. • Year-end audit field work. • Year-end closing meetings.	• Reporting of significant control deficiencies • Final Audit and Risk Committee and Board • Submission of final Annual Audit Report to the Committee and the Auditor General for Scotland. • Submission of audited Annual Report and Accounts to Audit Scotland
2024/25 Audit Plan	2024/25 Annual Audit Report		
November – January 2025	**January – March 2025**	**June-July 2025**	**August 2025**

Ongoing communication and feedback

Appendix 2 - 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 Independent Auditor's Report Annual Audit Report	19 February 2025 13 August 2025 13 August 2025	31 March 2025 31 August 2025* 31 August 2025*
Wider scope areas	Annual Audit Plan Annual Audit Report	19 February 2025 13 August 2025	31 March 2025 31 August 2025*
Consider and report on Best Value arrangements	Annual Audit Plan Annual Audit Report	19 February 2025 13 August 2025	31 March 2025 31 August 2025*

* Note this is dependent on when DS will receive pension disclosures information from Scottish Government

Appendix 3 - 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 operat effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosu within Appendix 5 of our publicly available [Transparency Report](#).

Appendix 3 - 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.

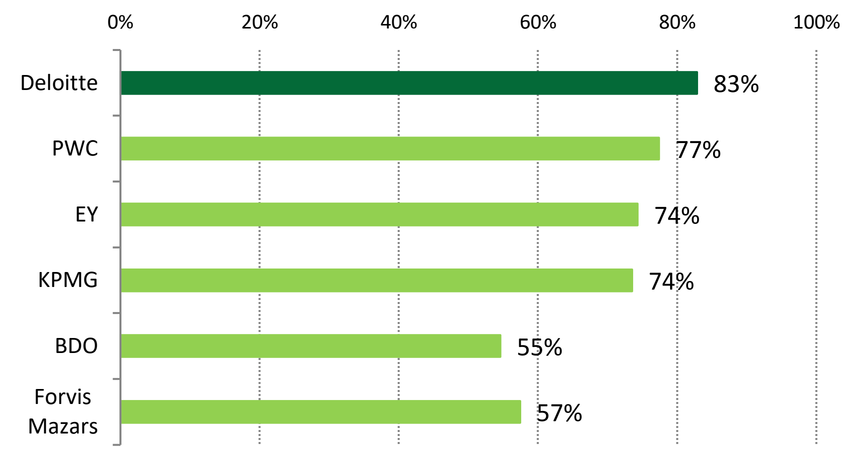
These sets of results reflect the continuous investment we are making and our commitment to acting in the public interest to deliver confidence and trust in business through our high quality audits. We recognise we still have more we want to do to ensure that we consistently meet the high standards we 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.

Percentage of Tier 1 audits rated 'Good or limited improvements required' by AQR over the last five years



Appendix 4 - 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.

Appendix 4 - 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.

Appendix 5 - 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 DS 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	The expected fee for 2024/25, as communicated by Audit Scotland in January 2025 is analysed below: Auditor remuneration — £ 51,070 Audit Scotland fixed charges: • Pooled costs — (4,220) • Audit support costs — - • Sectoral cap adjustment — (1,630) **Total expected fee — 45,220*** There are no non-audit fees. *The base fee above does not take into consideration any additional work that the audit team will be required to perform as a result of the change in finance system in year. We expect that as a result of the additional work required, there will be a need to agree a fee variation in year. We will agree any fee variations as a result of this work with management, before reporting this back to the Committee.
Non-audit services	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 DS, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Appendix 6 - 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 (FReM).

The updated guidance emphasises the increasing importance of sustainability reporting and alignment with evolving global standards like the Task force on climate related financial disclosures.

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

Appendix 6 - 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.

This is a summary of an [Audit Scotland Publication] dated November 2024.