



Registers of Scotland

Planning report to the Audit and Risk Committee on the 2024/25 audit –
Issued on 28th January 2025 for the meeting on 11th February 2025

Contents

01 Planning report

<u>Introduction</u>	<u>3</u>
<u>Our audit explained</u>	<u>4</u>
<u>Scope of work and approach</u>	<u>5</u>
<u>Significant risks</u>	<u>7</u>
<u>Wider scope requirements</u>	<u>10</u>
<u>Purpose of our report and responsibility statement</u>	<u>15</u>

02 Appendices

<u>Responsibilities of the Audit and Risk Committee</u>	<u>17</u>
<u>Continuous communication and reporting</u>	<u>18</u>
<u>Your control environment</u>	<u>20</u>
<u>Our approach to quality</u>	<u>21</u>
<u>Prior year audit adjustments</u>	<u>23</u>
<u>Our other responsibilities explained</u>	<u>24</u>
<u>Independence and fees</u>	<u>26</u>
<u>Sector developments</u>	<u>27</u>

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 Registers of Scotland (“RoS”) 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 £1,974k (2023/24: £1,348k) for the 2024/25 audit. This represents 2% (2023/24: 1.4%) of expenditure). Based on the role of RoS we selected expenditure as the most appropriate benchmark. The increase in materiality % based on the strong control environment, capable management in place, and no issues identified in prior year audits (this being our third-year audit).

Performance materiality has been set at £1,381k (2023/24: £943k), representing 70% (2023/24: 70%). We will report misstatements found in excess of £98k (2023/24: £67k, or those below that threshold if we consider them qualitatively material.

Audit timetable

Out timetable is summarised on [page 18](#), we understand the financial statements are to be approved on 12 August 2025.

Controls

We do not plan to rely on any controls as part of our audit, although we will assess the design and implementation of key controls in relation to the significant risks in the audit.

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](#)):

- Fee income; and
- Management override of controls.

We will update the Audit and Risk Committee on any changes.

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 on ([page 10](#)).

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

Team

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

Ian Howse
Partner

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. Please refer to [page 17](#) for more detail.

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) ("ISA (UK)") and the Code of Audit Practice approved by the Auditor General for Scotland. RoS 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), the Public Finance and Accountability (Scotland) Act 2000 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 RoS, 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 10](#).

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 20](#) 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 RoS's IT environment applicable to financial processes is simple in nature and none of our significant audit risk areas are impacted by IT systems.









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 RoS in preparing high quality drafts of the Annual Report and Accounts, which we would recommend RoS 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					8
Fee Income*					9

*We shall continue to perform procedures on this balance as the year progresses, which may cause the risk level of this balance to change.

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	<p>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 RoS's controls for specific transactions.</p> <p>The key judgement in the Annual Report and Accounts is that which we have selected to be significant audit risk – fee income. These are inherently the areas in which management has the potential to use their judgment to influence the Annual Report and Accounts.</p>
Our response	<p>In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:</p> <ul style="list-style-type: none">• We will review 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)

Fee Income

Risk identified ISA (UK) 240 states that when identifying and assessing the risks of material misstatements due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give risk to such risks.

We have assessed the income streams for RoS and concluded that the risk of a material misstatement due to fraud is in relation to registration fees. RoS operate a system of prepayment of registration fees, which are initially held on the balance sheet as a liability, with income recognised when services are transferred to the customer. We have therefore pinpointed the risk to the accuracy of the inventory (work in progress (WIP)) balance, the accuracy of the provision made at year-end (where prepaid income is expected to be less than costs for incomplete case work) and the cut-off of the income being recognised at the year-end.

The fee income is made up of six categories, with the two largest being dealings with whole parts (£59.114m in 2023/24) and Transfers in Part (£13.724m in 2023/24).

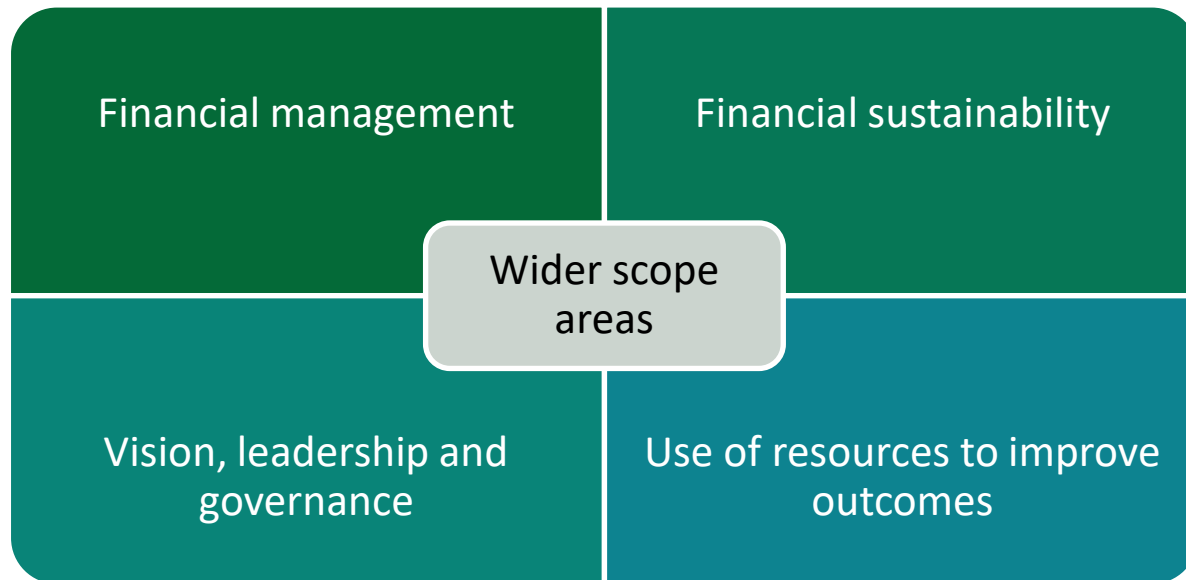
Our response In considering the risk in relation to fee income, we plan to perform the following audit procedures that directly address this risk:

- We will review the design and implementation of key controls in place around the WIP recognition and provision calculation;
 - We will review the accounting treatment of the WIP balance and provision against the relevant accounting standards;
 - We will review and test the WIP balance and provision for accuracy, specifically focusing on the judgements RoS use around the estimation of hours worked for each type of registry work they perform;
 - We will perform detailed testing on cut off for income recognised around the year end; and
 - We will review the accounting policy and related disclosures in the Annual Report and Accounts.
-

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	Relevant changes in entity identified in 2024/25	Significant risk identified and planned audit response
Financial Management	<p>RoS introduced 2 Head of Finance roles in 2023/24. This was done to ensure continuity and create a succession plan for Chief Financial Officer (CFO - Helen Bennett).</p> <p>Existing Head of Finance (Derek Marston) resigned in July 2024. This role has now been filled in November 2024 by Janet Forgan who is an experienced and competent person for the role.</p> <p>Janet shall be looking at financial reporting, accounting and audit-related activities. The other Head of Finance (joined in January 2024) – Anne Brydson – is responsible for financial management, planning and analysis, budgets, etc.</p> <p>The Finance function continues to be led by the CFO.</p> <p>No other changes identified in 2024/25 compared to 2023/24.</p>	<p>Significant risks identified:</p> <p>RoS has a consistent and strong finance team. Controls, governance and oversight is to a high standard. Due to these reasons, we have not identified a significant risk for financial management.</p> <p>Planned audit response:</p> <p>As part of our assessment of monthly financial monitoring and capacity, we will review the monthly monitoring reports which are considered by Executive Management Team (EMT).</p> <p>We shall inquire into the onboarding process of the new Head of Finance and the reliability of the succession plan for CFO.</p> <p>We shall continue to perform our annual procedures on controls, business processes, and management reporting.</p>

Wider scope requirements (continued)

Significant risks

Area	Relevant changes in entity identified in 2024/25	Significant risk identified and planned audit response
Financial Sustainability	<p>As per September report to the Board, RoS was operating at a YTD budget surplus of £5m. This is forecasted to be at a considerably lower position by year end.</p> <p>The housing market is continuing to perform slower than expected, but RoS is keeping its income up by focussing on clearing open cases in the backlog (aka legacy cases). Legacy cases as a proportion of revenue have increased from 6.7% in 2022/23 to 13.8% in 2023/24 and are expected to be close to or higher than 2023/24 figures in the current year.</p> <p>The focus on legacy cases is helping RoS clear the backlog which is a strategic goal for RoS and is helping RoS cope with the housing market downturn.</p> <p>RoS is also proceeding with its digital transformation program with outcomes which impact RoS' strategic objectives including the Strategic Workforce Plan, clearing of legacy cases, and improving service provided to customers.</p> <p>No other changes identified in 2024/25 compared to 2023/24.</p>	<p>Significant risks identified:</p> <p>RoS has medium-term financial planning arrangements in place. RoS has historically remained within budget, with only minor over/underspends.</p> <p>However, there is a risk that the digital transformation plan may be impacted by the budget, market conditions, development/project related delays, which may give rise to additional costs and impact the savings/efficiencies to be gained from the transformation.</p> <p>Planned audit response:</p> <p>We shall perform the following actions to provide an opinion on RoS financial sustainability:</p> <ul style="list-style-type: none"> - Assess the robustness of medium-term financial planning. In particular we will focus on 2025/26 budget and how this links to the strategic plan and the medium-term financial plan; - Review the latest digital strategy and the current status of digital projects; and - Review progress of legacy vs current case proportion in income.

Wider scope requirements (continued)

Significant risks

Area	Relevant changes in entity identified in 2024/25	Significant risk identified and planned audit response
Vision Leadership and Governance	<p>There have been a few changes at Board, ARC and Executive Management Team (EMT).</p> <p>At the Board level, one director and one non-executive director (NXD) joined, after the resignation of one director. At the ARC level, three members left their roles, and three new Non-Executive Audit and Risk Committee Members joined.</p> <p>The Chair of ARC is also due to leave at the end of financial year. However, there is a replacement designated and they are currently on the ARC. Hence, there is continuity.</p> <p>Two anti-fraud roles have been converged to one role, with the aim of providing a more thorough and consistent anti-fraud environment, processes, and knowledge.</p> <p>No other changes identified in 2024/25 compared to 2023/24.</p>	<p>Significant risks identified:</p> <p>From our planning work, we have not identified any significant risks in relation to vision, leadership and governance.</p> <p>Planned audit response:</p> <p>We will continue to review the work of the entity and its Committees, in particular through attendance at the Audit and Risk Committee, to assess whether the arrangements are continuing to work effectively.</p> <p>We shall also review the onboarding process of Board, ARC and EMT members.</p>

Wider scope requirements (continued)

Significant risks

Area	Relevant changes in entity identified in 2024/25	Significant risk identified and planned audit response
Use of Resources to Improve Outcomes	<p>The work on implementing the moveable transactions register is progressing well and due to go live on 01 April 2025.</p> <p>The year 3 corporate delivery plan is underway and clearing the open case work is the strategic goal. RoS intends to utilise automation, accelerated promotions and dedicated learning resources to achieve its targets.</p> <p>RoS has a target to deliver the benefits of a completed Land Register by 2027. This was completed up to 95.3% by March 2024.</p> <p>No other changes identified in 2024/25 compared to 2023/24.</p>	<p>Significant risks identified:</p> <p>We have not identified a significant risk that RoS has insufficient financial and non-financial resources to meets its statutory requirements.</p> <p>Planned audit response:</p> <p>We will assess how the Medium-Term Financial Plan (MTFP) and Strategic Workforce Plan (SWP) is linked to the Strategic Plan and how RoS is reporting against this to demonstrate its use of resources to improve outcomes.</p> <p>We shall review and assess RoS' performance in relation to the KPIs and Strategic Plan 2022-2027 for the following areas:</p> <ul style="list-style-type: none"> - Resolution of open case work; - Deliver the benefits of a completed Land Register; and - Implementation and go-live of moveable transactions register.

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 RoS, 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 RoS.

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

Cardiff | 28 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.

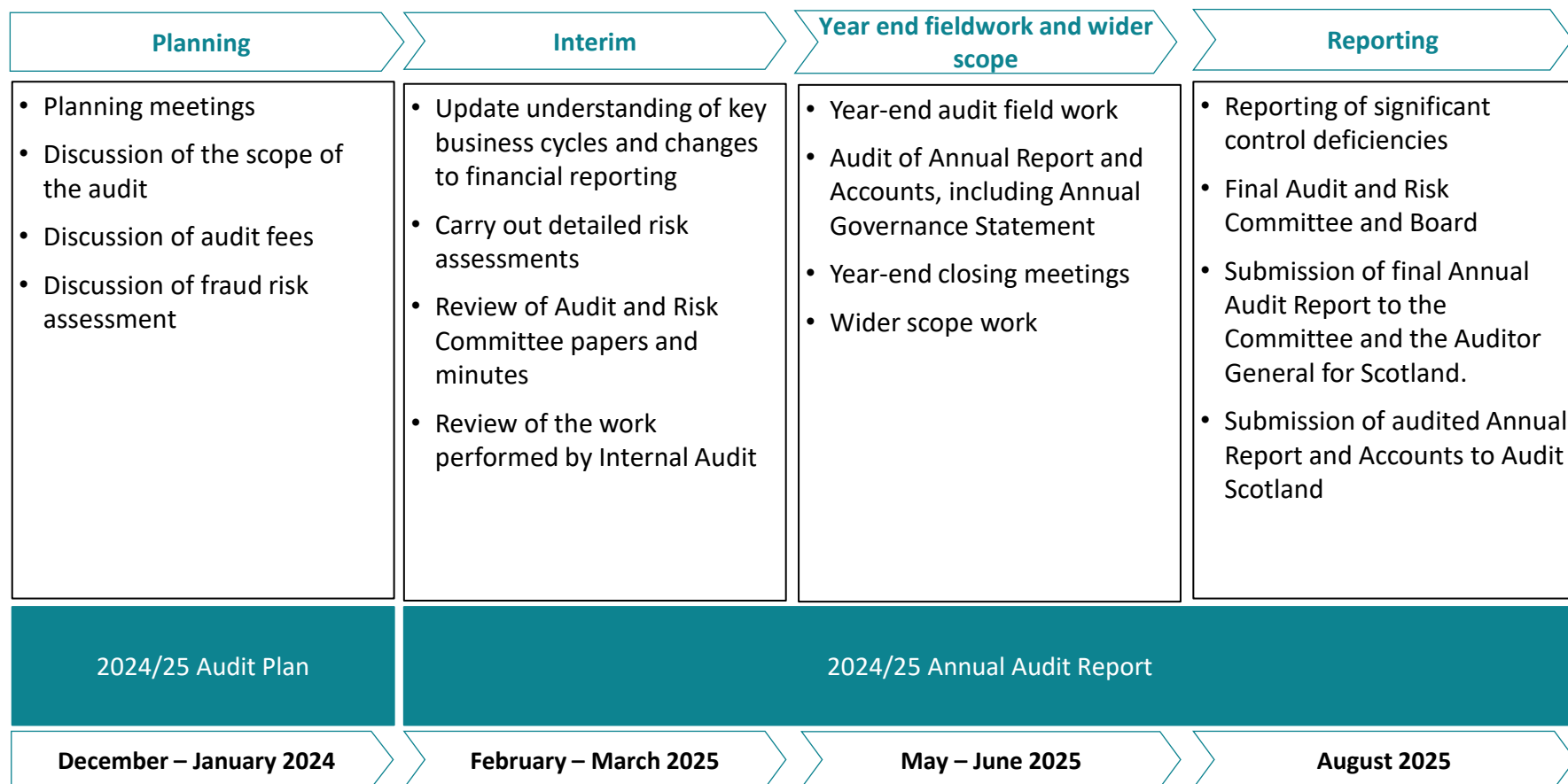
- Consider annually whether the scope of the internal audit programme is adequate.

- 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	11 February 2025	31 March 2025
	Independent Auditor's Report	12 August 2025	31 October 2025
	Annual Audit Report	12 August 2025	31 October 2025
Wider-scope areas	Annual Audit Plan	11 February 2025	31 March 2025
	Annual Audit Report	12 August 2025	31 October 2025

Your control environment

Design and Implementation of controls testing

The following have been identified as the key controls within RoS 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;	Interim
3. Management Review of Revenue Cut Off	Revenue Cut Off	Year-end
4. Review of WIP Provision	Management override of controls Revenue Cut Off	Year-end

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

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.

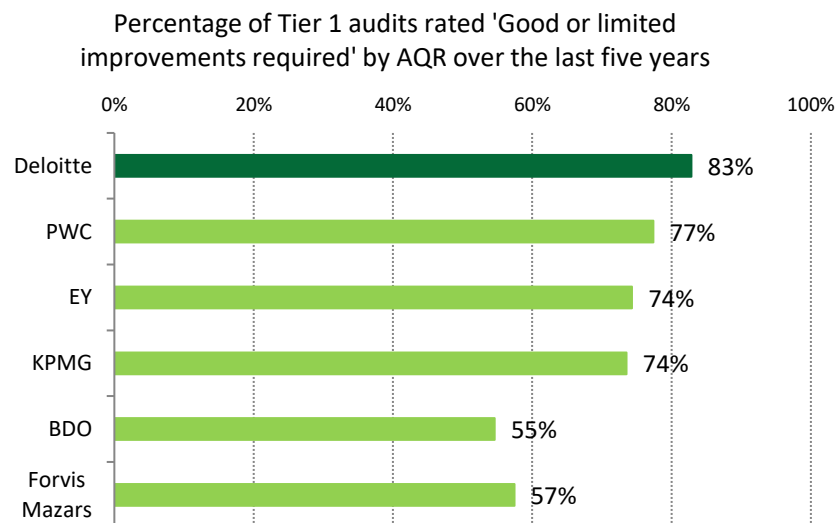
We are proud that the results of our FRC inspections show that 94% (2022/23: 82%) of our public interest audits were rated as 'good' or 'limited improvements' and that 100% (2023: 100%) of our audits reviewed by the ICAEW's QAD were assessed as good or generally acceptable.

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

Corrected misstatements

The following misstatements were identified in prior year's audit and were corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) CIES £'000	Debit/(credit) in net assets £'000	Debit/(credit) prior year reserves £	Debit/(credit) Equity £	If applicable, control deficiency identified
Deloitte audit fee	[1]	3	(3)			N/A
Inventories (WIP asset)	[2]	(148)	148			
(WIP Provision)		(251)	251			
Total		(396)	396			

[1] Deloitte audit fee had been rolled over from the prior year

[2] During testing of inventory management identified that the schedule provided even though it reconciled to the accounts was out of date. Whereby inventory (WIP) was understated by £148k, provision (WIP) overstated by £251k, admin expenses overstated by £396k.

Uncorrected misstatements

There were no uncorrected misstatements identified in relation to prior year audit.

Disclosure misstatements

There were no disclosure misstatements identified in relation to prior year audit.

Other disclosure recommendations

There were no disclosure recommendations identified in relation to prior year audit.

We have considered the above in determining materiality and performance materiality for the current year 2024/25.

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 Fee income 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 representatives from the Business Intelligence team, the EMT, the ARC and the Board.
- 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

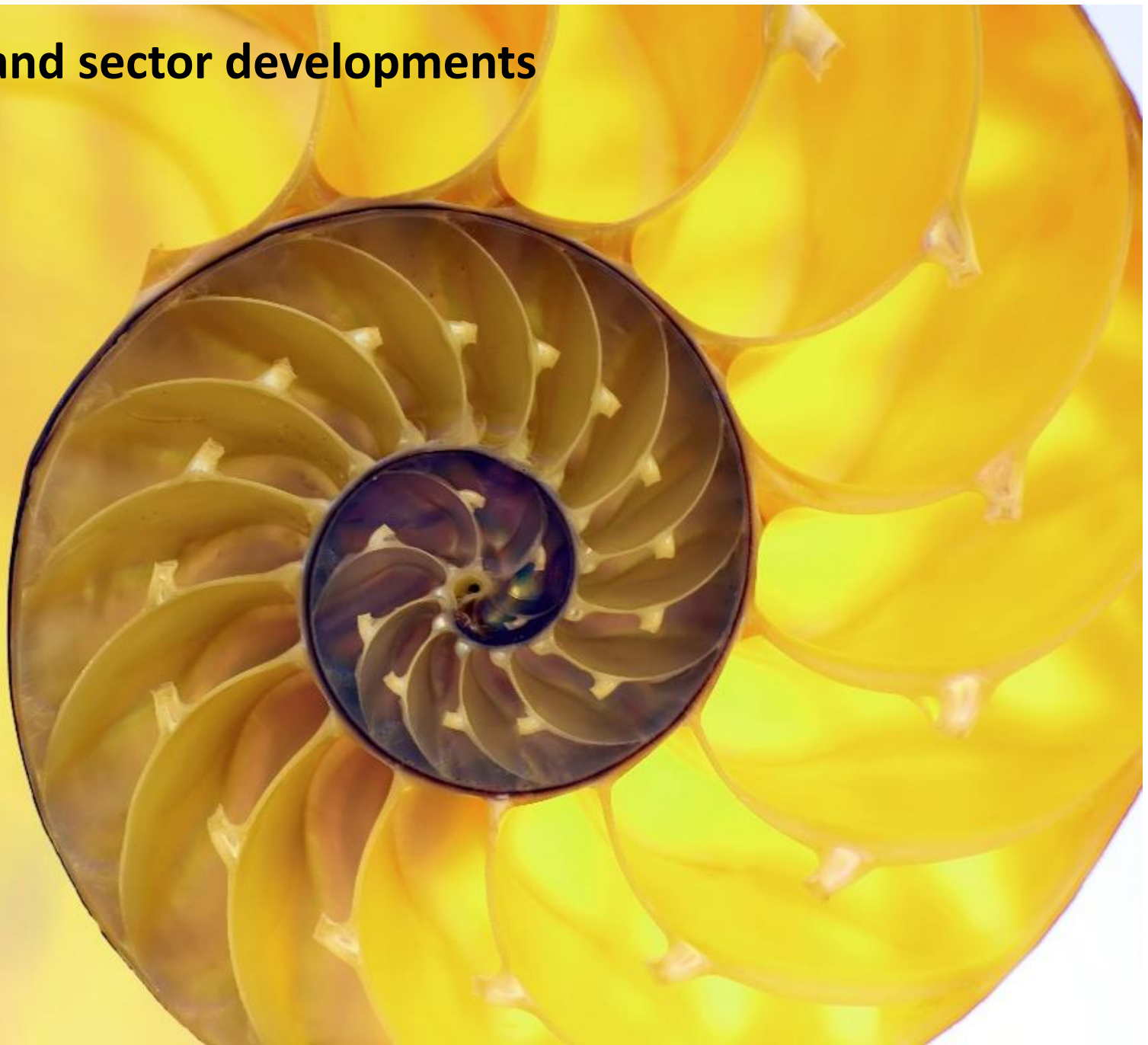
- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected 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 RoS 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	<p>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.</p> <p>There are no non-audit fees.</p>
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and RoS'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 RoS, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

Technical and sector developments



Sector developments

New guidance for 2024-25 reporting on sustainability for central government bodies

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 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 for the organisation's sustainability reporting processes and review whether any adjustments to existing reporting practices are necessary to incorporate emerging best practices.

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



Sector Developments (continued)

The National Fraud Initiative in Scotland 2024

Key messages

- Fraud remains a significant risk, costing taxpayers and undermining public trust. The NFI is crucial for proactive fraud detection and prevention, especially as public bodies navigate financial pressures.
- NFI efforts resulted in £21.5 million in savings and outcomes, a notable increase from previous years. However, this increase is partially attributed to improved recording practices and methodological changes, making it difficult to draw conclusions about underlying fraud levels.
- While NFI governance and follow-up arrangements are generally sound, there's room for improvement. Notably, resource constraints pose a challenge to effective follow-up on data matches.

Recommendations

- **Resource Allocation:** Ensure adequate resources are available for efficient and effective NFI follow-up activities, aligning with local priorities.
- **Planning & Self-Assessment:** Utilise the NFI Self-Appraisal Checklist during the planning phase for the 2024/25 exercise to identify and address potential areas for improvement.
- **Monitoring & Analysis:** Implement robust monitoring mechanisms for follow-up activities. Investigate and understand the reasons behind low or nil outcomes to enhance future NFI exercises.



Sector Developments (continued)

The important role of a CFO

The Challenge

Projected budget gaps of £780 million by 2026/27 will force difficult decisions upon Scottish councils, impacting service delivery and operations.

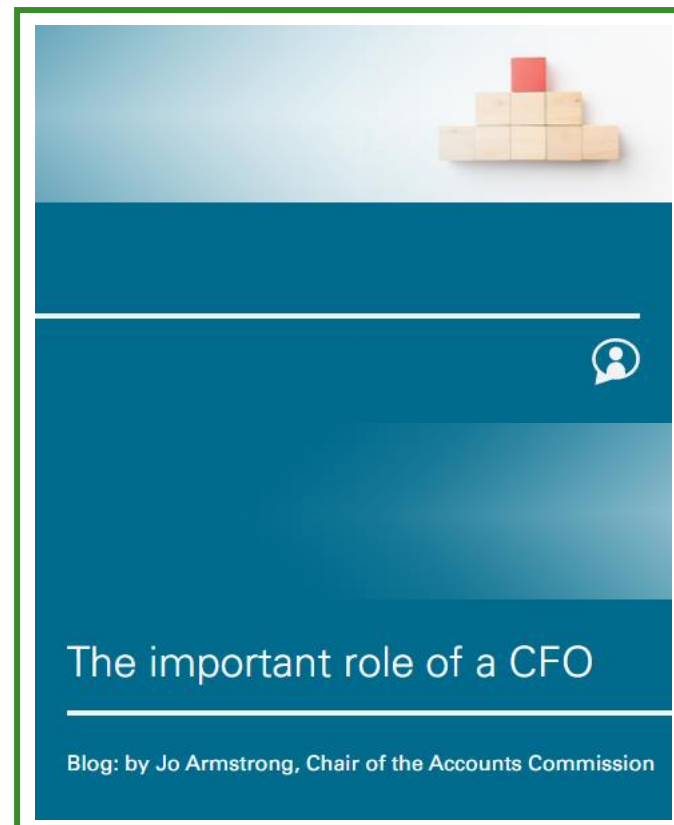
The Solution: A Strong Finance Function Led by a Strategic CFO

- **Strategic Leadership:** CFOs must be active participants in decision-making, ensuring financial sustainability is embedded in all strategies.
- **Financial Expertise:** Councils need well-resourced finance teams with the capacity and skills to provide timely, accurate financial information and meet regulatory requirements.
- **Innovation & Collaboration:** Shared services and skills development initiatives are crucial for addressing workforce challenges and developing future finance leaders.

Auditors will focus on

- CFO involvement in strategic decision-making.
- Capacity and skills within finance teams.
- Innovative solutions to address resource constraints.

The goal is to empower Scottish councils to make tough decisions and deliver effective public services despite financial constraints.



This is a summary of an [Audit Scotland Publication](#) dated August 2024.



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.