Ayrshire Valuation Joint Board

2024/25 Annual Audit Report

Prepared for Ayrshire Valuation Joint Board and the Controller of Audit

September 2025

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Key messages

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1 All audit opinions stated that the Annual Accounts were free from material misstatement.

2 A material one-off employee cost and associated insurance reimbursement was accounted for in the incorrect financial year. A correction totalling £157,758 was processed by management, there was no impact on Ayrshire Valuation Joint Board’s result for the year.

Financial Sustainability and Best Value audit

3 The Board has effective and appropriate arrangements in place for securing financial sustainability.

4 The Board has appropriate arrangements in place for securing Best Value.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Ayrshire Valuation Joint Board's (the Board) Annual Accounts and the wider scope areas specified in the Code of Audit Practice (2021).

2. The Annual Audit Report is addressed to the Board and the Controller of Audit and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Adam Haahr, of Audit Scotland, has been appointed as external auditor of the Board for the period from 2024/25 until 2026/27. Adam Haahr and the audit team are independent of the Board in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the independence of the engagement lead or the rest of the audit team from the body, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the Board and its staff, particularly those involved in preparation of the Annual Accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

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 (ISA) (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, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Concluding on the financial sustainability of the Board and a review of the Annual Governance Statement.
- Reporting on the Board' performance and its arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the auditor and the Board. 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 Board's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Board from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at Appendix 1 setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The Board's responsibilities

10. The 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 that give a true and fair view and other specified information.
- 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.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

11. In line with ISA (UK) 240 *(The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Board we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the Board, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

Audit of the Annual Accounts

Main judgements

All audit opinions stated that the Annual were free from material misstatement.

A material one-off employee cost and associated insurance reimbursement was accounted for in the incorrect financial year. A correction totalling £157,758 was processed by management, there was no impact on Ayrshire Valuation Joint Board's result for the year.

Audit opinions on the Annual Accounts

12. The Annual Accounts for the year ended 31 March 2025 were approved for issue by the Board following its meeting on 25 September 2025. The Independent Auditor's Report is included in the Board's Annual Accounts and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Audit timetable

13. The unaudited Annual Accounts and all working papers were received in accordance with the agreed audit timetable. The Annual Accounts submitted for audit were of a satisfactory standard as were supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £9,510. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

15. 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.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the Annual Accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the Board were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited Annual Accounts. No changes were required to the materiality levels, which are outlined in exhibit 1.

Exhibit 1
2024/25 materiality levels for the Board

Materiality	Amount
Materiality: set at 2% of 2024/25 gross expenditure.	£64,000
Performance materiality: set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£48,000
Reporting threshold: level of error that we will consider reporting to the Board.	£3,000

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance (the Board).

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the 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.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement (exhibit 3).
- 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.

21. We have one key audit matter to report as outlined in exhibit 2.

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
Pension balance The pension balance represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this liability. The Board is an admitted member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the Annual Accounts. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates, and mortality estimates. The Strathclyde Pension Fund actuary provided an estimate of the Board's asset as at 31 March 2025. The Board's 2024/25 valuation showed an asset of £12.258 million (2023/24: asset of £9.784 million). As required by accounting standards, the amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling. The actuary has provided the estimate for this ceiling amount. The asset shown in the Board's Balance Sheet has been limited to £0 million (2023/24: capped at £0 million) based on the actuaries estimate.	This is included as a key audit matter for information purpose due to the significant judgement and estimation involved in determining the pension balance. We are satisfied with the assumptions applied in determining this balance and that the Board's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.

Significant findings and key audit matters	Outcome
Employee transactions recorded in the incorrect period Transactions relating to one-off employee expenditure and associated employer insurance income were included in the 2024/25 unaudited accounts. On review of the supporting documentation we concluded that these transactions related to the 2025/26 financial year and therefore should not have been included in the accounts for 2024/25. To correct for this management processed a material adjustment that reduced income, expenditure, short term debtors and short term creditors by £157,758. This adjustment had no impact on the result for the 2024/25 financial year.	This was corrected in the audited annual accounts. As there were a number of other non-material errors in this area, we recommend that management review their processes for ensuring transactions are recorded in the correct financial year (see Appendix 1). Details of all audit adjustments are in Appendix 2.

Source: Audit Scotland

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the Board's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by the Board was assessed as part of the audit. These were considered to be appropriate to its circumstances, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the UK (the code).

Accounting estimates

24. Accounting estimates are used in number of areas in the Board's financial statements, including the valuation of the pension balance. Audit work considered the process management has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.

- There was no evidence of management bias in making the accounting estimates.

25. Details of the audit work performed and the outcome of the work on the accounting estimates relating to the pension balance are outlined in exhibit 2.

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate.

27. We also reviewed the Management Commentary, the Annual Governance Statement, and the audited section of the Remuneration Report and found these to be consistent with the financial statements and compliant with relevant guidance.

Audit adjustments

28. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £3,000 are outlined in appendix 2.

29. Management processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatements to report.

Significant risk of material misstatement identified in the Annual Audit Plan

30. Audit work has been performed in response to the significant risk of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in exhibit 3.

Exhibit 3
Significant risk of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
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: • Obtain assurances from the auditor of South Ayrshire Council, as the Board's general ledger administrator, over the design and implementation of controls over journal entry processing. • 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. • Test any journals at the year-end and post-closing entries and focus on significant risk areas. • Evaluate, and consider the reasonableness, of any significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Perform substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.	Audit work performed found: • Satisfactory assurances over the design and implementation of controls over journal entry processing were obtained from the auditor of South Ayrshire Council. • Journal adjustments were tested, and discussed with management and no indications of management override of controls were found. • We reviewed transactions during the year. No issues were highlighted of significant transactions outside the normal course of business. • Judgements and estimations applied were tested to confirm they were appropriate and reasonable. • We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year. **Conclusion**: no evidence of fraud caused by management override of controls.

Financial Sustainability and Best Value audit

Conclusion

The Board has effective and appropriate arrangements in place for securing financial sustainability.

The Board has appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

31. The Annual Audit Plan reported the Board was considered to be a less complex body. Therefore, wider scope audit work has been undertaken to allow conclusions on the financial sustainability of the Board and the Governance Statement within the annual accounts.

Best Value

32. Under the Code of Audit Practice, the duty on auditors to consider the arrangements an audited body has in place to secure Best Value applies to audited bodies that fall within section 106 of the Local Government (Scotland) Act 1973, which the body does.

33. Consideration of the arrangements the body has in place to secure Best Value have been carried out alongside the wider scope audit.

Conclusions on Financial Sustainability and Governance Statement

Financial Sustainability

34. The audit work performed on the arrangements the Board has in place for securing financial sustainability found that these were appropriate. There is evidence that its constituent councils will continue to support the operations and existence of the Board, with a balanced budget agreed for 2025/26. When combined with the workforce plan and the clear direction set by its Corporate and Service Plans, we consider the Board to be financially sustainable for the foreseeable future. There is a commitment from the Board and constituent councils to address the projected financial pressures for 2025/26 onwards. Our judgement is evidenced by our review of the following key areas.

The Board approved a balanced budget for 2025/26

35. The Board approved its 2025/26 budget in March 2025. This was set based on net expenditure of £3.043 million, with a planned contribution from the Board's reserves of £0.281 million.

36. The main budget movements include an anticipated increase in staff costs of £0.146 million, reflecting an assumed 3% pay award. This assumption aligns with those adopted by other local authorities in Scotland and covers increments and employers' national insurance contributions. Employers' national insurance is anticipated to increase by £0.051 million due to a national rise in the rate from 13.8% to 15%. Additionally, the budget for property costs has increased by £0.014 million to reflect increases in non-domestic rates, cleaning and repair and maintenance costs. These cost pressures are addressed through a 9% increase in local authority requisitions and planned draw from reserves to balance the 2025/26 budget. This approach is consistent with the Board's Financial Planning Strategy.

37. The 2025/26 budget includes planned savings and adjustments to support financial sustainability. A non-recurring saving of £0.050 million has been applied though an increase in the Board's payroll turnover target, reflecting recent trends in recruitment and ongoing structural changes. Additionally, a previous £0.008 million non-recurring saving in software maintenance costs applied in 2024/25 has been reinstated for 2025/26 in line with the contractual funding schedule for the Board's core system. These savings form part of a broader strategy to manage cost pressures while supporting service delivery within available resources.

38. Members monitor the Board's budget position through the budget monitoring reports presented to each meeting of the Board. The budget monitoring reports provide an overall picture of spend against budget and include a good level of detail in the narrative to explain the main budget variances.

The Board has reviewed its medium-term financial position

39. The Board approved its Financial Planning Strategy for 2025/26 to 2027/28 in January 2025. This built on the prior year strategy that had outlined three distinct scenarios - A, B and C - with varying impacts on reserves and expenditures:

- **Scenario A:** Proposed reducing the core requisitions through savings in employers' superannuation contributions.
- **Scenario B:** Aimed to reduce the core requisitions by the maximum affordable amount.

- **Scenario C:** Maintain the core requisitions at the current level and plan for gradual increases thereafter.

40. The Board agreed to retain scenario C for 2025/26, which results in a 9% increase in the requisition level for 2025/26, followed by a 20% increase in 2026/27, and a further 4% increase in 2027/28. This approach supports long-term financial sustainability and enables the Board to maintain uncommitted reserves in line with the target level of between 3% and 4%.

41. Our judgement in this area is further evidenced by the:

- effective financial management of the 2024/25 budget, with the Board reporting an underspend of £0.179 million against its budget in 2024/25 (after the one-off unbudgeted Electoral Integrity Grant income of £0.207 million is removed).

- level of reserve held by the Board being in line with its strategy.

Governance Statement

42. The audit work performed on the governance arrangements the Board has in place found that these were appropriate. This judgement is evidenced by our review of the following key areas:

- Corporate and Service plans that provide a clear vision for the Board. These are subject to regular review by Members.

- the appropriate financial control arrangements that are in place.

- the internal audit annual report which concluded that the Board had reasonable risk management, control, and governance arrangements in place during 2024/25.

- the appropriate standards of conduct and arrangements for the prevention and detection of fraud and error.

This is consistent with the Board's self assessment set out within the Governance Statement in the Annual Accounts, which we concluded was properly prepared.

Conclusion on Best Value

The Board has appropriate arrangements in place for securing Best Value

43. We consider that the Board has arrangements in place to secure Best Value. Our view is supported by:

- the Board having a clear strategy (Corporate Plan 2024-27) and performance framework.

- its established governance and decision-making arrangements.
- the recognition that strategic priorities must be delivered within the financial and workforce resources available.

44. The Local Government (Scotland) Act 2003 requires each Local Authority to make arrangements for reporting to the public on the performance of its functions. There are arrangements in place for the transparent reporting of performance. The Board's 2024/25 Public Performance Report was considered by Members in June 2025 with this publicly available on the Board's website.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Recognition of income and expenditure in the correct financial year Audit work identified a number of transactions recorded in the wrong financial year which were corrected in the audited accounts.	Management should review processes in place to ensure items of income and expenditure are recorded in the correct financial year.	Year-end cut-off processes will be reviewed to improve reporting accuracy. Treasurer 31 March 2026

Appendix 2

Summary of corrected misstatements

Details	Financial statements lines impacted	Income and Expenditure Statement (CIES)		Balance Sheet	
Corrected misstatements		**Dr**	**Cr**	**Dr**	**Cr**
		£	**£**	**£**	**£**
1. To reverse one-off employment cost and insurance reimbursement not relating to 2024/25					
	Income	157,578			
	Employee Costs		(157,578)		
	Short-term Creditors			157,758	
	Short-term Debtors				(157,758)
2. To recognise additional expenditure related to 2024/25					
	Employee Costs		(2,020)		
	Administrative Costs	8,961			
	Short-term Creditors				(6,941)

Ayrshire Valuation Joint Board

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