



Central Scotland Valuation Joint Board

Planning report to the Valuation Joint Board for the 2024/25 audit,
— Issued on 16 June 2025 for the meeting on 27 June 2025

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Introduction

The key messages in this report

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

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

Introduction

I have pleasure in presenting our planning report to the Board of the Central Scotland Valuation Joint Board ("the VJB") 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 £60,000 (2023/24: £62,000) for the 2024/25 audit. This represents 2% (2023/24: 2%) of forecasted expenditure. Based on the role of the VJB we selected expenditure as the most appropriate benchmark.

Performance materiality has been set at £42,000 (2023/24: £43,000), representing 70% (2023/24: 70%). We will report misstatements found in excess of £3,000 or those below that threshold if we consider them qualitatively material. This percentage has been applied due to the misstatements and control deficiencies identified in the 2023/24 audit.

Audit timetable

Our timetable is summarised on page [18](#), we understand the financial statements are to be approved on 26 September 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.

Introduction (continued)

The key messages in this report

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](#)):

- Management override of controls; and
- Cut off and completeness of non-payroll expenditure

We will update the Board on any changes.

Area of Audit Focus

We have identified the following areas of audit focus:

- Implementation of IFRS 16; and
- Falkirk Pension Fund.

Our assessment of these areas of focus is summarised on page [11](#) and [12](#).

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 [13](#)).

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.

Responsibilities of the Board

As explained further in the Responsibilities of the Board slide on page [17](#), Board are responsible for:

- Reviewing internal financial controls and internal control and risk management systems.
- 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 on Local Authority Accounting approved by the Auditor General for Scotland. The VJB will prepare its accounts in accordance with the Applicable law and UK adopted international accounting standards, as interpreted and adapted by 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 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 the VJB, 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 [13](#).

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.

Consolidation - We are required to provide assurance confirming consistency with the audited Annual Report and Accounts on the consolidation schedules included in the SG Consolidated Accounts.

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.

We have maintained the same materiality benchmark (expenditure) 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 the VJB'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 Code to support the VJB in preparing high quality drafts of the Annual Report and Accounts, which we would recommend the VJB 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					9
Cut off and completeness of non-payroll expenditure					10

Level of management judgement

-  High degree of management judgement
-  Some 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 the VJB's controls for specific transactions.</p> <p>The key judgements in the Annual Report and Accounts are those which we have selected to be the significant audit risks – completeness of non-payroll expenditure and management override of control. 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 consider the overall control environment and 'tone at the top';• 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.• 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)

Cut off and completeness of non-payroll expenditure

Risk identified	<p>Under Auditing Standards there is a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. We have concluded that this is not a significant risk for the VJB as there is little incentive to manipulate revenue recognition with the majority of revenue being from the funding partner bodies which can be agreed to confirmations supplied.</p> <p>In accordance with Practice Note 10 (Audit of Annual Accounts of public bodies in the United Kingdom), we have assessed the risk of fraud and error related to expenditure. A significant portion of the VJB's expenditure is payroll-related, which benefits from robust forecasting and alignment with underlying payroll systems. Consequently, the risk of misstatement within this expenditure stream is considered lower. However, a material level of non-payroll expenditure remains. This area presents a heightened risk of manipulation, particularly around year-end, as management may be inclined to adjust the financial position to meet financial targets and balance budgets. Therefore, we have identified cut-off and completeness of non-payroll expenditure as our alternative significant fraud risk.</p>
Our response	<p>We will evaluate the results of our audit testing in the context of the achievement of the budgets based on the funding received from partner bodies. Our work in this area will include the following:</p> <ul style="list-style-type: none">• Evaluating the design and implementation of controls around monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end;• Performing focused testing of a sample of non-payroll accruals and prepayments made at the year end;• Performing focused cut-off testing of a sample of invoices received and paid from both March 2025, and April 2025; and• Obtaining schedules and analysis related to the non-payroll expenditure and the reconciliation to the general ledger, and testing the reconciliation to the general ledger and trace any reconciling items to sufficient appropriate audit evidence.

Other areas of audit focus

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

Risk identified	Pension Liability
Summary	<p>The VJB participates in the Falkirk Pension Fund, administered by Falkirk Council, which is a defined benefit scheme.</p> <p>The net pension liability increased from £2.327m in 2022/23 to £2.928m in 2023/24. The increase was primarily due to the imposition of an asset ceiling of £1,089k during the year.</p> <p>Hymans Robertson LLP, the VJB's appointed actuary, provides a comprehensive report outlining the estimated year-end pension liability and associated disclosure requirements. Given its material value and reliance on significant assumptions, the pension liability valuation is an area of audit focus. While the valuations are prepared by a reputable actuary using standard methodologies, and no significant changes in scheme membership or accrued benefits are anticipated in the current year, we noted a prior-year misstatement. Specifically, the additional liability impact from the Goodwin case ruling was not included. However, we have not identified this as a significant risk, as the impact is immaterial and not expected to become material due to the size of the VJB</p>
Deloitte response	<p>We will perform the following procedures to address the risk:</p> <ul style="list-style-type: none">• Assess the independence and expertise of the actuary supporting the basis of reliance upon their work;• Review and challenge the assumptions made by Hymans Robertson LLP, using Deloitte pension specialists to value the net liability, including the assumptions used, the instructions they have been given, and the conduct of the work;• Obtain assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;• Assess the reasonableness of the entity's share of the total assets of the scheme with the Pension Fund annual accounts;• Review and challenge the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; and• Review the disclosures within the accounts against the Code.

Other areas of audit focus (continued)

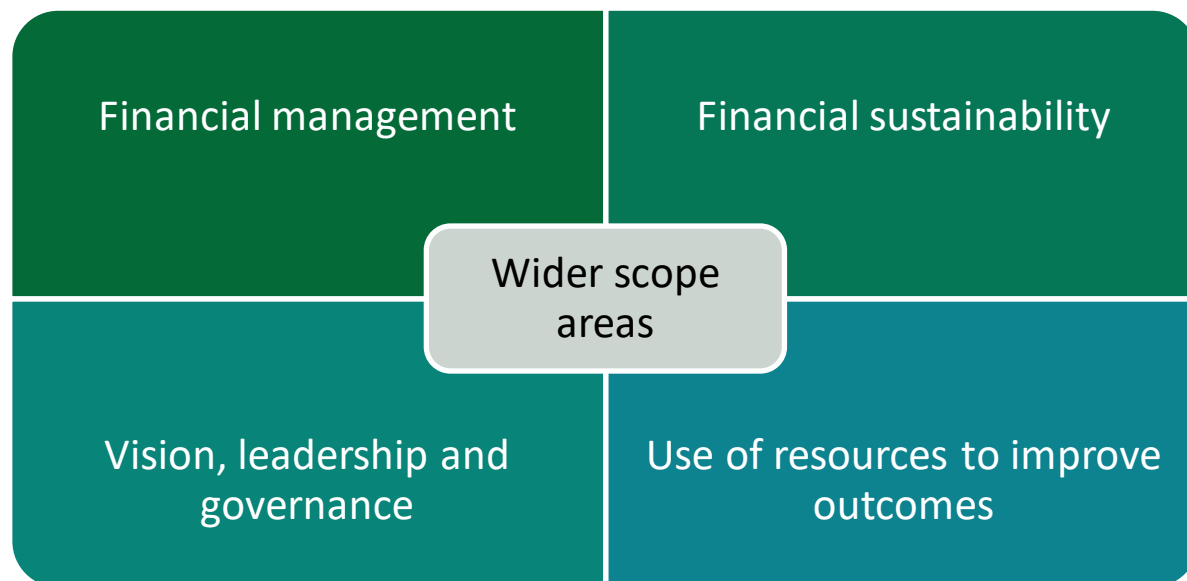
We have identified the below areas of audit interest, although do not consider these to be significant risks

Risk identified	IFRS 16
Summary	<p data-bbox="336 368 1798 475">IFRS 16 was effective for local government bodies from 1 April 2024 but could be voluntarily adopted from 2022/23. The introduction of IFRS 16 will have a significant impact on the balance sheet and on recorded capital expenditure for the VJB. The VJB has adopted IFRS 16 from 2024/25 when it became mandatory.</p> <p data-bbox="336 522 1812 589">IFRS 16 disclosures will need to be updated in a new note in the Annual Accounts to capture the expected impact of any new leases entered into this year which were not covered in previous disclosures.</p> <p data-bbox="336 636 1792 704">We recommend that an accounting paper is presented to the Board on the transition for review and approval as part of the VJB's governance over financial reporting.</p>
Deloitte response	<p data-bbox="336 732 1136 761">We will perform the following procedures to address the risk:</p> <ul data-bbox="336 768 1843 1139" style="list-style-type: none">• Request and review a management accounting paper on the implementation of IFRS 16 (including the controls in place over reporting under the standard, and any additional judgements identified in transition and in-year application).• Obtain the lease agreement for the office building and verify the key terms of the lease are accurately reflected in the Board's lease calculations.• Challenge management's determination of the discount rate, lease term, and residual value used in lease calculations. Assess the reasonableness of these inputs based on supporting documentation.• Test the accuracy of management's right of use (RoU) asset and lease liability calculations.• Test completeness of lease through review of a sample of contracts entered in the year.• Test accuracy and completeness of management's disclosures in line with IFRS 16

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.



In local government, public audit includes the audit of arrangements for, and performance of, the audited body's duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertake this duty in a way that is proportionate to the size and type of body. Our work on the wider-scope areas, discussed on page [14](#) will contribute to our consideration of how the VJB demonstrates that it is meeting its Best Value responsibilities.

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

Wider scope requirements (continued)

Significant risks

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

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

Area	Significant risks identified	Planned audit response
Financial sustainability	<p>There remains a potential risk that robust medium to long term planning arrangements are not in place to ensure that the VJB can manage its finances sustainably and deliver services effectively.</p> <p>We note that the entity at year end had net expenditure of £1,408k. This was largely due to remeasurement of the defined benefit liability. This was a charge against the reserves carried forward for 23/24</p> <p>Additionally, we note that the earmarked reserves includes funding to support the 2025/26 budget shortfall of £45K.</p>	<p>We will assess the development of the 2025/26 budget and Medium Term Financial Plan.</p> <p>We will also specifically follow up on the recommendations made in the previous years audit report to assess if the VJB has incorporated a longer-term strategy of 5 years in its Budget Strategy.</p>

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 financial statements 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;
- Key regulatory and corporate governance updates, relevant to you

Use of this report

This report has been prepared for the Board, 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.

What we don't report

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

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 | June 2025

Appendices



Responsibilities of the Board

Helping you fulfil your responsibilities

Why do we interact with the Board

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 Board has significantly expanded. We set out here a summary of the core areas of Board responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Board in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.

- Make recommendations as to the auditor appointment and implement a policy on the engagement of the external auditor to supply non-audit services.

- 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.

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

Oversight of external audit

Integrity of reporting

Internal controls and risks

Oversight of internal audit

Whistle-blowing and fraud

- 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.

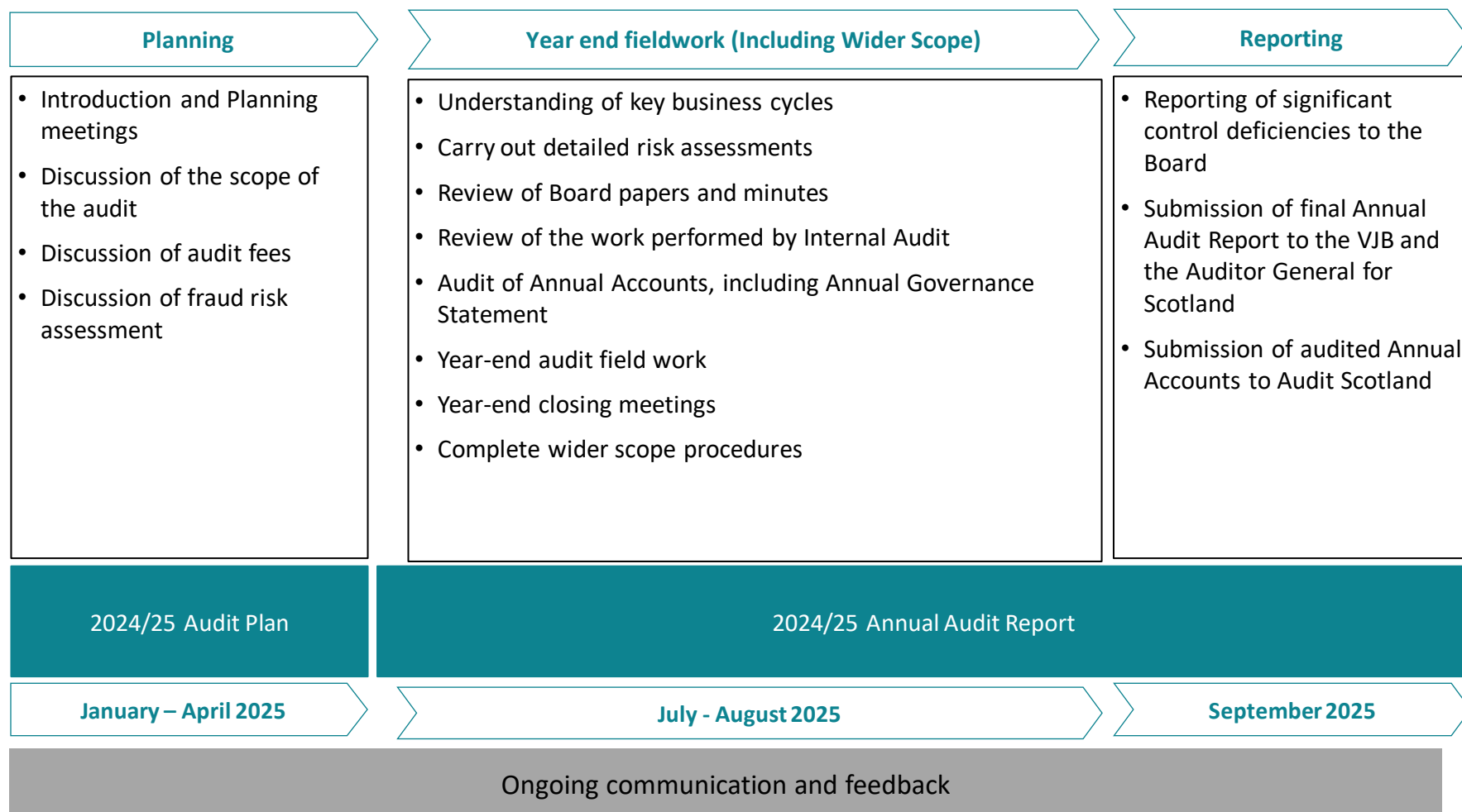
- Consider annually whether there is a need for an internal audit function and make a recommendation accordingly to the VJB.

- 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.



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 Board	Audit Scotland/ statutory deadline
Audit of Annual Report and Accounts	Annual Audit Plan Independent Auditor's Report Annual Audit Report	31 March 2025 26 September 2025 26 September 2025	31 March 2025 30 September 2025 30 September 2025
Wider-scope areas	Annual Audit Plan Annual Audit Report	31 March 2025 26 September 2025	31 March 2025 30 September 2025
Consider and report on Best Value arrangements	Annual Audit Plan Annual Audit Report	31 March 2025 26 September 2025	31 March 2025 30 September 2025

Your control environment (continued)

Design and Implementation of controls testing

The following have been identified as the key controls within the VJB 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 finance team 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	Year-end
2. Monthly monitoring of financial performance and the estimated accruals and prepayments made at the year-end	Cut off and completeness of non-payroll expenditure	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 disclosures within Appendix 5 of our publicly available [Transparency Report](#).



Our approach to quality (continued)

FRC 2023/24 Audit Quality Inspection and Supervision report

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

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

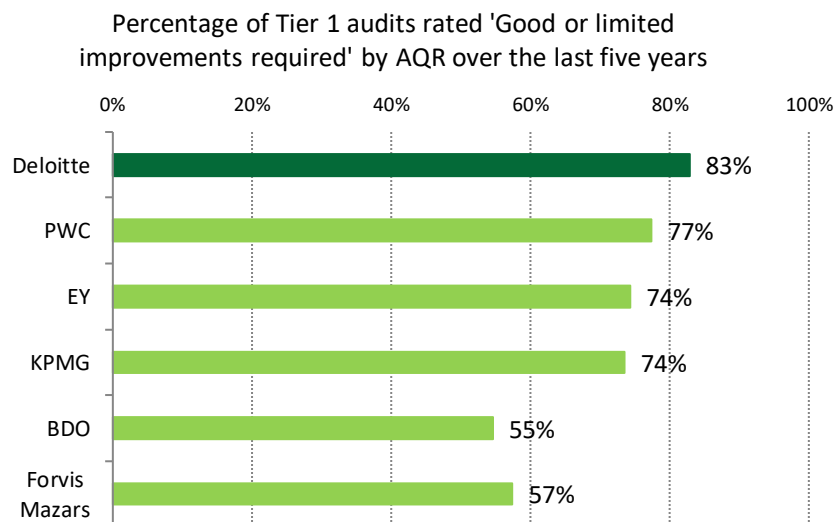
We are proud that the results of our FRC inspections show that 94% (2022/23: 82%) of our public interest audits were rated as 'good' or 'limited improvements' and that 100% (2023: 100%) of our audits reviewed by the ICAEW's QAD were assessed as good or generally acceptable.

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

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

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

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



Prior year audit adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified from the prior year, which we considered in determining materiality and performance materiality for the year. The net asset impact of £20k will carry forward to 2024/25.

We recommend that the Board reviews whether any changes in the current year accounts preparation and drafting process are possible to address the causes of any identified misstatements and prevent them recurring in future

		Debit/(credit) CIES £	Debit/(credit) in net assets £	Debit/(credit) prior year reserves £	Debit/(credit) Equity £	If applicable, control deficiency identified
Misstatements identified in 2023/24						
Provisions	[1]		(20,000)			N/A
Expenditure		20,000				
Pension interest	[2]	(8,000)				N/A
Employee costs		8,000				
Prior Period Misstatements corrected in 2023/24						
Expenditure	[3]	6,000		(6,000)		N/A
Total		26,000	(20,000)	(6,000)		

[1] The VJB did not make a provision in relation to the Goodwin case for its pension liabilities.

[2] We observed that interest on the service cost had been included in the interest cost. Under IAS 19, this should have been included in the service cost. This was presentational point as the impact on the service cost and interest cost nets to zero.

[3] The VJB had over accrued for an expense in 2022/23. The was done on a best estimate basis and the actual expense was much lower base on subsequent invoicing from the supplier.

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 management override of controls and cut off and completeness of non-payroll expenditure.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

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

Our other responsibilities explained (continued)

Fraud responsibilities

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



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the recently appointed Assessor following his role as interim Assessor.
- 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 the VJB and will reconfirm our independence and objectivity to the Board for the year ending 31 March 2025 in our final report to the Board.

Fees

The expected fee for 2024/25, as communicated by Audit Scotland in January 2025 is analysed below:

	£
Auditor remuneration	24,440
Audit Scotland fixed charges:	
• Pooled costs	610
• Contribution to PABV costs	0
• Sectoral cap adjustment	(15,540)
Total expected fee	9,510

There are no non-audit fees.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the VJB'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 the VJB, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.

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



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

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.

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





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