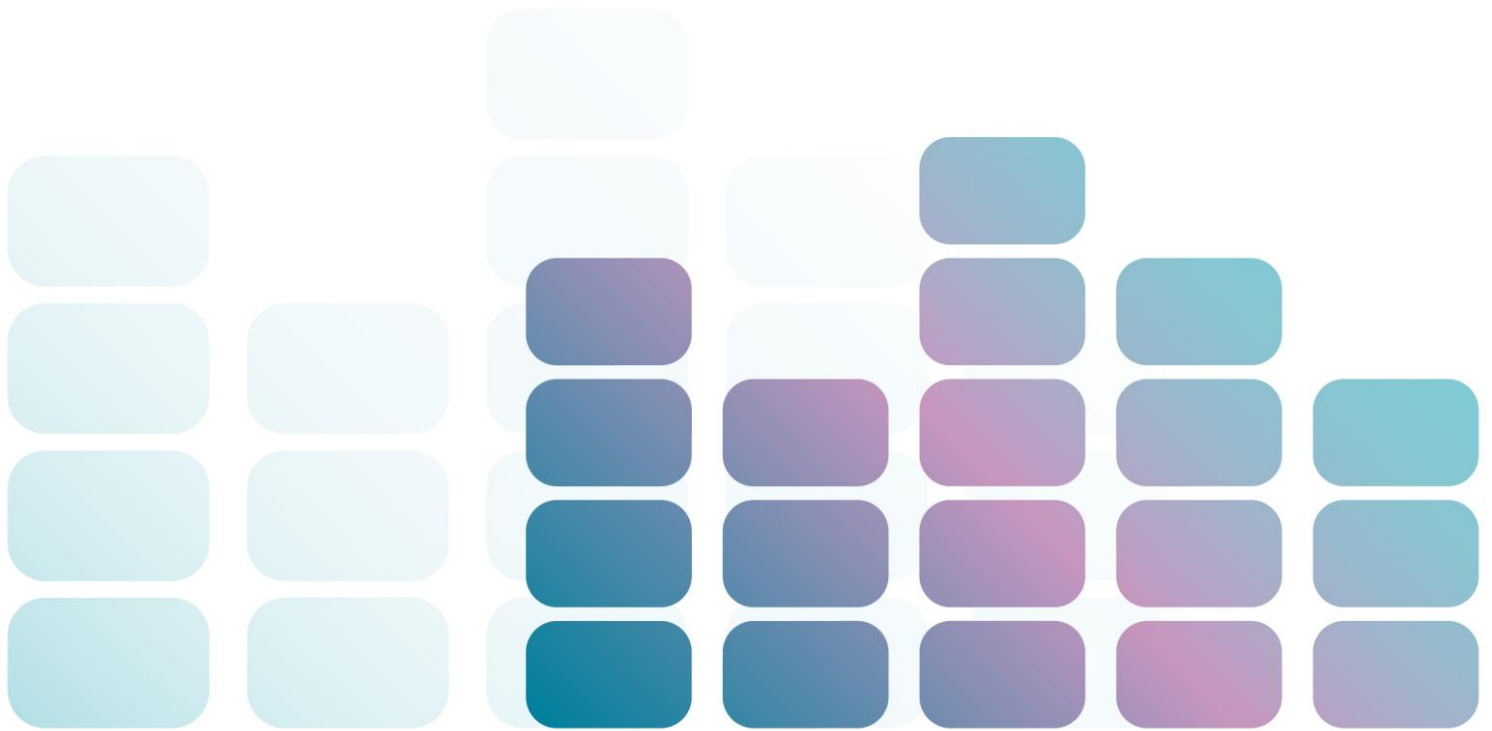


Lothian Valuation Joint Board

2024/25 Annual Audit Report



Prepared for Lothian Valuation Joint Board and the Controller of Audit
November 2025

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Key messages

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 There are no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by Lothian Valuation Joint Board.

Financial Sustainability and Best Value audit

- 3 Significant financial challenges remain for the joint board. It projects that further increases to constituent council requisitions are required in future years to meet budget shortfalls.
 - 4 The joint board has broadly effective and appropriate arrangements in place for securing Best Value.
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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 Lothian Valuation Joint Board's (Lothian VJB) annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Lothian VJB, hereafter referred to as 'the joint board' and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Christopher Gardner, of Audit Scotland, has been appointed as external auditor of the body for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Christopher Gardner and the audit team are independent of the body in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard.

Acknowledgements

4. We would like to thank the joint board and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit.

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 body and a review of the Annual Governance Statement.
- Reporting on the body's arrangements for securing Best Value.

Responsibilities and reporting

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

Auditor's responsibilities

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

10. The body 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.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the body and the Board. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual accounts

Main judgements

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

There are no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the joint board.

Audit opinions on the annual accounts

12. The body's annual accounts were approved by the Lothian Valuation Joint Board and certified by the appointed auditor on 17 November 2025. The Independent Auditor's Report is included in the body'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 on 26 June 2025 in accordance with the agreed audit timetable.

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 report and 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 body 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. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1
2024/25 Materiality levels for Lothian VJB

Materiality	Amount
Materiality – set at 1.5% of gross expenditure	£108,000
Performance materiality – set at 65% 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.	£70,000
Reporting threshold – set at 5% of materiality.	£5,000

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, which for the body is 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.
- 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. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the body’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 body was assessed as part of the audit. These were considered to be appropriate to the circumstances of the body, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting.

Accounting estimates

24. Accounting estimates are used in number of areas in the joint board's financial statements, including the valuation of assets and the pension disclosures. 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.

Disclosures in the financial statements

25. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as pensions disclosures.

Audit adjustments

26. Audit adjustments were made to the financial statements to correct identified misstatements. Our audit identified a number of presentational and disclosure errors. Two adjustments exceeded the reporting threshold of £5,000:

- £0.032 million of expenditure relating to 2024/25 was reclassified as a prepayment.
- £0.022 million was adjusted in senior employee remuneration to exclude non-remuneration elements.

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

Significant risks of material misstatement identified in the Annual Audit Plan

28. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 2, \(page 10\)](#).

Exhibit 2

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate 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. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design of controls over journal processing were appropriate and these were implemented as intended. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No transactions outside the normal course of business were identified. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.

these for evidence of management bias.

Conclusion: no evidence of fraud caused by management override of controls.

Source: Audit Scotland

Prior year recommendations

29. The body has implemented the agreed prior year audit recommendation. See [Appendix 1](#).

Financial Sustainability and Best Value audit

Conclusion

Significant financial challenges remain for the joint board. It projects that further increases to constituent council requisitions are required in future years to meet budget shortfalls.

The joint board has broadly effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

30. The Annual Audit Plan reported the body was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of the body.

Best Value

31. 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.

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

Significant wider scope and Best Value risks

33. Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in Exhibit 3.

Exhibit 3**Significant wider scope and Best Value risks**

Significant risk	Planned audit response	Outcome of audit work
<p>Financial sustainability</p> <p>The valuation board's main source of income is funding through requisitions from its constituent councils. In 2024/25, the first increase to the council requisition since 2009/10 was sought, and in 2025/26 it sought a further increase of £0.278m (4.4%).</p> <p>Without an increase in council requisitions, the valuation board forecast a net shortfall of £0.278m in 2025/26 rising to £0.795 million by 2027/28.</p> <p>There is a risk that in the medium term, the joint board is not able to secure further funding to fully meet cost pressures as they arise.</p>	<p>Ongoing review of financial budget monitoring and reporting arrangements in place to achieve a balanced budget.</p>	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The joint board has reported net expenditure in year of £6.523 million against a budget of £6.798 million. • Significant financial challenges remain and without further increase in constituent council requisitions there is a projected budget shortfall in 2025/26 of £0.278 million, rising to a £0.795 million shortfall in 2027/28.

Source: Audit Scotland

Financial Sustainability

34. The joint board is mainly funded by requisitions from its constituent members, the City of Edinburgh, West Lothian, East Lothian and Midlothian Councils.

35. The joint board approved its 2024/25 revenue budget in February 2024, identifying a total of £6.273 million for core activities and £0.427 million for NDR reform. The budget included a request to increase the core council requisition by £0.426 million (7.3%) to address the budget shortfall, and was the first time since 2009 in which the joint board has requested an increase.

36. In its annual accounts, the joint board has reported a small underspend, with net expenditure in year of £6.523 million against a budget of £6.798 million. This resulted in a net contribution to usable reserves of £0.135 million, increasing its usable reserves to £0.918 million.

37. In common with most public sector bodies, the joint board continues to face significant financial challenges and it reports that without a further increase in constituent council requisitions there is a projected budget shortfall in 2025/26 of £0.278 million, rising to a £0.795 million shortfall in 2027/28. The revenue budget for 2025/26 approved at the 3 February 2025 meeting of the Board proposed an increase in the constituent council requisition of £0.278 million in order to bridge this gap, which is an increase of 4.4% on the 2024/25 requisition.

38. The indicative financial plan for 2026/27 to 2027/28 shows that further increases to the constituent council requisitions of 4.8% and 2.9% respectively are required to meet the budget shortfalls in these years. From 2026/27 onwards, it projects that will no longer be able to draw from the joint board's reserves to cover any potential budget shortfalls.

Best Value

39. The audit work performed on the arrangements the body has in place for securing Best Value found these were broadly effective and appropriate. This judgement is evidenced by:

- the body having broadly effective governance arrangements in place.. Following our recommendation in 2023/24, performance indicators are now reported in the annual accounts and updates provided to the joint board as an appendix to the assessor's report. Since January 2023, the joint board has operated a continuous improvement programme, which has delivered savings primarily through vacancy management.
- In addition, in response to the action point raised in our 2023/24 Annual Audit Report, risk registers are now regularly presented at meetings of the Joint Board.
- Although some improvement has been noted since 2023/24, we continue to identify that not all registers of interest for board members were consistently updated. It is important that all registers of interest are refreshed regularly to maintain transparency , and to identify any potential related parties.

Appendix 1

Action plan 2024/25

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Review of risk registers Risk registers are not specifically reviewed by those charged with governance at board level. There is a risk they do not adequately address the risks facing the organisation.	Those charged with governance should review the joint board's risk registers with sufficient regularity to allow appropriate scrutiny and challenge Responsible officers: Assessor & ERO/Head of Governance 21 October 2024	Implemented Risk registers are now presented for scrutiny at each meeting of the joint board.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

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