

Technical Bulletin

2025/1

Technical developments and emerging risks from
January to March 2025



 AUDIT SCOTLAND

Prepared by Audit Scotland for appointed auditors and audited bodies in all sectors

31 March 2025

Contents

1: Introduction	3
2: All sectors	5
3: Local Government Sector	8
4: Central Government Sector	13
5: Health Sector	17
6: College Sector	19
7: Professional matters	21
8: Fraud and irregularities	22

Accessibility

Auditors can find out more and read this bulletin using assistive technology on the Audit Scotland website www.audit.scot/accessibility.

1: Introduction

Purpose

The purpose of Technical Bulletins from Audit Scotland's Innovation and Quality (I&Q) business group is to provide auditors appointed by the Auditor General for Scotland and Accounts Commission for Scotland with:

- information on the main technical developments in each sector during the quarter
- information on professional matters during the quarter that are expected to have applicability to the public sector
- summaries of responses to any requests from auditors for technical consultations with I&Q.

Appointed auditors are required by the Code of Audit Practice to pay due regard to Technical Bulletins. The information on technical developments is aimed at highlighting the key points that I&Q considers auditors in the Scottish public sector require generally to be aware of. It may still be necessary for auditors to read the source material if greater detail is required in the circumstances of a specific audited body. Source material can be accessed by using the hyperlinks.

Any specific actions that I&Q recommends that auditors take are highlighted in **bold**.

Technical Bulletins are also published on the Audit Scotland [website](#) and therefore are available for audited bodies and other stakeholders to access. However, hyperlinks to source material indicated with an asterisk (*) link to files on Audit Scotland's [SharePoint*](#) and are only accessible by auditors.

Highlighted items

I&Q highlights in the following table a selection of the items in this Technical Bulletin that are of particular importance:

Highlighted items		
I&Q will soon publish a cross sectoral TGN on the potential misstatements in the 2024/25 accounts [paragraph 1]	CIPFA has issued a disclosure checklist for the 2024/25 financial statements of local government bodies [paragraph 10]	I&Q has issued two assurance protocols for auditors [paragraph 14]
CIPFA has issued a consultation draft of an update to Delivering Good Governance in Local Government Framework [paragraph 22]	Treasury has re-issued the 2024/25 FreM and issued the 2025/26 FreM [paragraph 30 and 41]	The Scottish Government has issued the NHS accounts manual and CAM for 2024/25 [paragraph 52 and 60]

Consulting with I&Q

Auditors should consult with I&Q by completing an [enquiry form](#) and submitting it to TechnicalQueries@audit-scotland.gov.uk.

2: All sectors

TGN on potential misstatements in 2024/25 annual accounts

1. I&Q will soon publish Technical Guidance Note (TGN) 2025/1 to provide auditors with guidance on potential misstatements in the 2024/25 annual accounts.
2. As a change from previous years, rather than two separate TGNs for central government and local government, I&Q are producing a single cross-sector TGN for 2024/25. The TGN will be accessible by auditors on [SharePoint*](#), along with supporting material, and will also be available from the Audit Scotland [website](#).
3. The TGN is intended to inform auditors' professional judgement and promote the exercise of professional scepticism. The TGN supplements the Code of Audit Practice and auditors are expected to pay it due regard and use it as a primary reference source when performing 2024/25 audits. Auditors should advise I&Q of any intended departures from the guidance.
4. The TGN comprises a number of modules as summarised in the following table:

Module	Potential misstatement area	Purpose
Overview	Areas that are pervasive to the financial statements as a whole	Concise explains the appropriate accounting treatment related to each potential misstatement
1-9	Specific classes of transactions, balances and disclosures in the financial statements.	
10A	Audited part of Remuneration Report in Local Government	Explains the requirements and provides guidance on the potential misstatements in the audited part of the Remuneration Report
10B	Audited part of Remuneration and Staff Report in other sectors	
11A	Statutory Other Information in local government (e.g. Management Commentary and Annual Governance Statement)	Sets out the procedures for considering the Statutory Other Information

Module	Potential misstatement area	Purpose
11B	Statutory Other Information in central government (e.g. Performance Report and Governance Statement)	
12	Irregular transactions in central government	Explains the requirements and sets out the action auditors should undertake
13	Integration joint boards	
14	Pension fund accounts	Provides guidance on the application of the above modules to these specific bodies
15	Section 106 charities – Local Government	
16	Charitable NDPBs – Central Government	

5. The guidance on potential misstatements reflects areas of complexity, subjectivity and uncertainty. They have been updated to reflect new requirements which emerged during the 2023/24 audits that remain applicable. A separate note summarises the main changes from 2023/24.

Consultation on climate change guidance

6. The [Scottish Government](#) has issued a [consultation](#) on guidance related to public bodies' statutory duties on climate change.

7. Responses to the consultation should be submitted via the [online survey](#) before Friday 23 May 2025.

8. The draft guidance sets out:

- public bodies' legislative duty to act to reduce emissions, adapt to climate change, and promote sustainability. Actions should be proportionate to the body's impact, considering its size, assets, function and influence
- the need for public bodies to embed climate considerations in their corporate governance, risk management, and strategic planning decision-making processes
- that collaboration with other bodies is encouraged to share best practices and maximise the impact of climate actions.

9. The guidance is set out in eight sections summarised in the following table:

Sections	Area	Content
1 and 2	Context and strategic framework	The chapter explains climate and sustainability requirements in the broader context of policies including biodiversity, sustainable development, equalities, health and wellbeing and human rights.
3	Equalities	<p>Highlights the need for a comprehensive approach to climate action to address and mitigate social inequalities.</p> <p>Decisions on climate change and sustainability should consider potential equality impacts, with appropriately integrated assessments considering protected characteristics, socio-economic status and health.</p>
4	Putting duties into practice	<p>Guidance for public bodies to meet climate change duties including:</p> <ul style="list-style-type: none"> • a step-by-step model for bodies at different stages of climate action, covering leadership, governance, and recognising that actions should be proportionate to the body's climate impact, size and influence. • a framework and a whole systems approach to demonstrate impact, refine actions, and ensure equity. <p>Section 4.7 sets out the role of audit highlighting Audit Scotland's strategy for auditing climate change across the public sector. The guidance reflects the role of audit in reviewing and supporting:</p> <ul style="list-style-type: none"> • effective responses to legislative requirements • embedding climate change into organisational decision making, assurance, management and governance systems • transparency of actions and spend, and assessment of the impact and value for money of plans and projects
5-7	Guidance on specific duties	<p>These sections outline and provide guidance for bodies to tackle the three climate related duties to:</p> <ul style="list-style-type: none"> • reduce emissions • adapt to climate change • deliver sustainable development
8	Reporting	<p>Explains the mandatory climate change reporting duty with guidance to help public bodies understand and meet the requirements.</p> <p>Emissions reporting has focused primarily on scope 1 and 2, however bodies also need to start to measure, monitor and reduce scope 3 emissions. For most public bodies, scope 3 emissions will be where their greatest climate impact lies.</p> <p>Bodies are expected, as best practice, to include climate change reporting as part of their annual corporate reporting process.</p>

3: Local Government Sector

2024/25 Disclosure checklist

10. [The Chartered Institute of Public Finance and Accountancy \(CIPFA\)](#) has issued a [disclosure checklist*](#) for the 2024/25 financial statements. It is intended for use as an aide-memoire to assist in meeting the requirements of the accounting code.

11. The checklist is in the form of a series of questions and the implications of the answers are set out in the following table:

Answer	Implication
Yes	The accounting code is being complied with
No	A justification for departing from the accounting code should be given. For example, a legitimate justification may be that the information resulting from a particular disclosure is not material.

12. When evaluating whether the accounting code's disclosure requirements have been met, **auditors should:**

- **request that the body completes the 2024/25 disclosure checklist**
- **investigate the reasons for any non-compliance that the checklist highlights**
- **evaluate whether the body's responses in the checklist are consistent with auditor's knowledge.**

13. Where the body declines to complete the checklist, **auditors should:**

- **establish the alternative arrangements by which it satisfies itself regarding the completeness of disclosures**
 - **evaluate the adequacy of the arrangements**
 - **consider completing the checklist as part of their audit procedures, where the body's arrangements are judged not to be adequate.**

Assurance protocols for 2024/25

14. I&Q has published two protocols to provide agreed frameworks for auditors to seek and provide certain information from auditors of other public bodies (assurance protocols). The assurance protocols are summarised in the following table:

Protocol subject	Nature of information
Local Government Pension Scheme (LGPS)	<p>LGPS pension fund auditors request information from employer body auditors in respect of pension contributions payable by the employer body to the pension fund.</p> <p>Employer body auditors request information from pension fund auditors in respect of information provided by the pension fund to the actuary in relation to their reports on employer bodies.</p>
Integration joint boards (IJBs)	IJB auditors request information from the auditors of the constituent authorities regarding information not held by the IJB.

15. The assurance protocols set out the potential range of information but do not compel any specific information to be sought. It is not expected that any information outwith the specified range will generally be requested but that will be a matter for local agreement in 2024/25.

16. Auditors should:

- judge whether it is necessary to request any information from other auditors in 2024/25
- follow the agreed frameworks in each protocol when requesting or providing information.

Section 106 charities accounts

17. Audit Scotland and the [Scottish Charity Regulator](#) (OSCR) have issued a joint [briefing](#) to encourage a reduction in the number of sets of accounts of registered charities that fall within the scope of section 106 of the Local Government (Scotland) Act 1973 (section 106 charities). The briefing provides information on:

- the number of section 106 charities administered by each local authority in 2023/24
- the number of related sets of accounts.

18. OSCR offers guidance to councils seeking to reorganise their section 106 charities and has a regulatory interest in charities that are inactive in

terms of not providing public benefit and that may fail to meet the charity test.

19. Local authorities continued to administer a total of 149 charities in 2023/24 (a reduction of 16 from 2022/23). In order to reduce the number of section 106 charities further in 2024/25, **auditors should strongly encourage authorities with multiple charities to:**

- **reorganise their charities through merging or winding them up, particularly when they appear to be failing to meet their charitable aims (e.g. by not disbursing funds)**
- **consider appointing an external trustee as this would remove the charity from the scope of section 106.**

20. In the meantime, there is scope under the charity regulations for connected charities to prepare a single set of accounts. The definition of connected charities is met for section 106 charities administered by the same local authority even where trustees differ as they meet the condition for 'unity of administration'. However, in 2023/24:

- Four authorities made only partial use of the connected charities provisions and produced 17 sets of accounts between them
- Four authorities made no use of the provisions and produced 10 sets of accounts.

21. Auditors should strongly encourage local authorities to make full use of the connected charities provisions in 2024/25.

Consultation on delivering good governance

22. CIPFA issued a [consultation draft](#) of an addendum to the Delivering Good Governance in Local Government Framework (governance framework) intended to apply from 2025/26.

23. The governance framework provides guidance on the completion of an annual review of the effectiveness of the body's system of internal control and the production of an Annual Governance Statement (AGS).

24. CIPFA is proposing to update the governance framework by replacing chapter 7 with the addendum to:

- support good governance in the sector
- reflect changes affecting governance in local government bodies since the governance framework was issued in 2016
- encourage robust reviews of governance arrangements
- improve accountability to stakeholders.

25. There are changes to emphasise that:

- the AGS is important, not just to finance staff, but to elected members, senior management and all those involved in the annual review of governance
- preparing an AGS is an opportunity to undertake a rigorous annual assessment of governance and consider whether it is fit for purpose.

26. The benchmark against which the annual review of governance should be undertaken is the seven principles of good governance set out in the governance framework (which are unchanged). The addendum sets the core arrangements in the context of each of the seven principles and sets out the scope of the annual review.

27. The addendum continues to recommend that local authorities adopt a local code of governance which sets out their governance arrangements, but the recommendation has been strengthened. It now requires that the local code should show how governance principles are put into practice.

28. Where an authority does not have a local code, the annual review will need to first identify the arrangements in place to meet the governance principles.

29. The addendum is clear that the AGS should not include extensive description of the different aspects of the authority's governance arrangements, unless the authority does not have a local code. The addendum sets out elements the AGS should contain, and these are summarised in the following table:

Element	Content
Executive Summary – to pull out main messages	<p>Summary of key conclusions.</p> <p>An overall opinion on whether governance is fit for purpose.</p> <p>Significant changes or areas of improvement the authority will be actioning in the forthcoming year.</p>
Assessment of effectiveness - statement of how the review was conducted and the results	<p>Explicit assurance that each of the core arrangements for the local code are operating effectively.</p> <p>The results of external assurance providers and internal audit's annual conclusion.</p> <p>An explanation of how the overall opinion has been agreed.</p>
Areas for improvement	<p>Any significant gaps in governance arrangements.</p> <p>Significant governance failures that occurred during the year and action taken.</p> <p>Action plans to address weaknesses where necessary.</p>

Element	Content
Improvements in governance arrangements	How governance issues identified in the previous year's AGS have been addressed. Other significant steps to improve governance.
Forward look on governance	Identifying where governance needs to change to meet the future needs of the authority.

4: Central Government Sector

2024/25 FReM

30. [HM Treasury](#) has issued a revised version of the [2024/25 Government Financial Reporting Manual](#) (the FReM). The main changes are explained in the following paragraphs.

31. The temporary amendment in the 2023/24 FReM (see [Technical Bulletin 2024/2](#) paragraph 44) covering cases when pension data was not available in a timely manner has been removed. The previous requirements at paragraphs 6.5.8 d) and 6.5.15 have been reinstated in 2024/25.

32. Paragraphs 6.5.8 f) and 6.5.15 g) have been added to require additional disclosure where an individual included in the Remuneration and Staff Report is impacted by the McCloud remedy. The disclosure explains that the calculation of the disclosed pension benefits is based on the terms of the legacy scheme for the remedy period, unless the individual actively elects otherwise.

2023/24 GBS account information

33. I&Q will obtain information on account balances at 31 March 2025 for central government bodies from the Government Banking Service (GBS) and distribute them to relevant auditors.

34. The GBS has confirmed that the arrangements for obtaining 2024/25 account balances are unchanged.

Amendments to SPFM

35. The Scottish Government has issued three Finance Guidance Notes which update sections of the Scottish Public Finance Manual (SPFM).

36. [FGN 2025/1](#) amends the [Certificates of Assurance](#) and [Settlement, Severance, Early Retirement and Redundancy](#) sections to clarify the internal control checklist, signpost to relevant material, and clarify existing guidance. An additional question has been added to the checklist regarding reporting and recording cases of fraud.

37. [FGN 2025/2](#) updates a number of sections following recommendations from a strategic review. The updates aim to clarify, refresh and standardise the layout to set out relevant legislation and highlight the applicability of each section. Detailed processes and guidance have been relocated to the Scottish Government intranet.

38. Key sections amended and the main changes are summarised in the following table:

Section	Amendment
Foreword and Scope	Renamed Background and Applicability chapters with updated links to policies and agreements.
Accountability	Clarifies the principles and expectations related to the Accountable Officer role Explicitly include feasibility as part of value for money tests.
Risk management	Updated to clarify risk management principles.
Subsidy control	Refocused to align the principles more closely with the Subsidy Control Act 2022.

39. [FGN 2025/3](#) provides additional guidance on preparing Financial Memoranda for Scottish Government Bills. It outlines the key responsibilities of the Bill Team in preparing and clearing Financial Memoranda before submitting draft Bills for Ministerial approval.

40. Further updates are expected to be made to the rest of the SPFM throughout 2025/26.

2025/26 FreM

41. Treasury has issued the [2025/26 FReM](#). The main changes in 2025/26 are as a result of the:

- Treasury thematic review of non-investment asset valuations
- implementation of IFRS 17 Insurance contracts.

Non-investment asset valuations

42. The 2025/26 FReM introduces the concept of assets being held for their operational capacity, rather than their service potential. References to specialised and non-specialised assets have been removed. These changes relate to the classification of assets and do not impact on the valuation basis.

43. The following adaptations to IAS 16 Property, plant and equipment have been introduced:

- The requirement to revalue an asset when its fair value differs materially from its carrying value has been withdrawn. Bodies can use the following methods to revalue assets:
 - A quinquennial revaluation supplemented by annual indexation in intervening years

- A rolling programme of revaluations over a 5-year cycle, with annual indexation applied to the non-inspected proportion of assets during the four intervening years
- For non-property assets only, the use of appropriate indices.
- Valuations are not required outwith the valuation programme unless there is an indication of impairment.
- Revaluations carried out prior to 2025/26 remain valid throughout the transition period, from 1 April 2025 until the asset is next revalued. The maximum period between revaluations during the transition period must not exceed five years.

44. The guidance on accounting for property, plant and equipment in Chapter 10.1 and 10.4 has been updated to reflect these changes. It explains that in rare cases where an index is not available, entities may commission an interim desktop revaluation at year three of their valuation programme.

45. The following adaptations have been added to IAS 38 Intangible assets:

- Bodies are no longer permitted to measure intangible assets using the revaluation model. Bodies that have been using the revaluation model should disclose this change in methodology at 1 April 2025
- On transition, the carrying value of intangible assets should be historical cost.

46. IAS 8 has been adapted so that bodies do not need a retrospective restatement as a result of the change in accounting policy relating to the valuation of non-investment assets (including intangible assets).

47. Treasury has issued [application guidance](#) on the non-investment asset valuation changes.

IFRS 17 Insurance contracts

48. IFRS 17 replaces IFRS 4, applying a current value approach to measuring insurance contracts, and can apply to a wider range of contracts than expected.

49. The FReM sets out a number of interpretations of IFRS 17 including:

- A contract is an agreement between two or more parties that creates enforceable rights and obligations. Legislation and regulations are not equivalent to insurance contracts as they are not agreements between parties.
- The financial instrument discount rate from PES papers is assumed to be used for discounting IFRS 17 insurance liabilities.

Phase 3 guidance on TCFD

50. HM Treasury has issued [Phase 3 application guidance for TCFD-aligned disclosures](#). The additional disclosure requirements for phase 3 which applies in 2025/26 are set out in the following table:

Area	Proposed disclosures
Principal, new, and emerging risks	<p>Identification and disclosure of principal climate-related risks.</p> <p>Consideration of new and emerging risks that could impact the organisation</p> <p>A description of the climate related risks and opportunities over the short, medium, and long-term time and the impact of those risks and opportunities on strategy and financial planning.</p>
Climate Scenario Analysis	<p>A requirement to conduct and disclose climate scenario analysis using common anchor points (or reference periods) for time horizons and climate scenario pathways</p> <p>Analysis should cover different time horizons and consider various climate scenarios, including a 2°C or lower scenario</p> <p>Scenario analysis should be updated at least every 5 years, or more frequently where the assumptions used no longer apply.</p>

51. The 2024/25 FReM (discussed at paragraph 30) requires compliance with the TCFD aligned disclosures phase 2 (see [Technical Bulletin 2024/1](#) paragraph 63). Scottish Government guidance (see [Technical Bulletin 2024/3](#) paragraph 23) recommends that relevant Scottish public bodies comply with the FReM requirements.

5: Health Sector

2024/25 accounts manual

52. The Scottish Government has issued the [2024/25 Manual for the Annual Report and Accounts of NHS Boards*](#) (accounts manual). The accounts manual complements the guidance contained in the 2024/25 FReM but contains some additional or specific requirements.

53. The main changes are set out in the following paragraphs.

Sustainability and environmental reporting

54. Pages 13 and 14 confirm that boards should comply with the relevant sections of the FReM and the Task Force on Climate-related Financial Disclosures (TCFD) aligned disclosures, as set out in application guidance issued by Scottish Government (see [Technical Bulletin 2024/3](#) paragraph 23).

Remuneration report

55. The disclosure requirements on page 28 for accrued pension benefits have been updated to require additional disclosure where an individual has been impacted by the McCloud remedy (explained in the previous article on the 2024/25 FreM at paragraph 30).

56. Page 32 has been updated to clarify that where the real increase in an individual's Cash Equivalent Transfer Value is negative, this should be disclosed as a negative figure with a footnote to explain the reason.

57. The notes to the fair pay calculation on page 39 have been updated to clarify that directly engaged staff should be excluded from the median calculation.

Standards issued but not adopted this year

58. Disclosures have been added to the table of standards issued but not yet adopted on pages 65 and 66 for IFRS 18 and IFRS 19.

Related parties

59. Additional guidance on the identification and disclosure of related party transactions has been added to page 148.

2024/25 CAM

60. The Scottish Government has issued the [NHS Scotland Capital Accounting Manual 2024/25*](#) (CAM) to interpret the accounting guidance

contained in the 2024/25 FReM on capital accounting issues in the health sector.

61. The main changes for 2024/25 are to chapters 8 and 11 which have been amended to remove the transitional requirements of IFRS 16.

6: College Sector

Consultation on 2026 Further Education SoRP

62. [The British Universities Finance Directors Group](#) (BUFDG) has issued an [exposure draft](#) of the Statement of Recommended Practice (SORP) for Further and Higher Education 2026. The proposed effective date of the revised SORP is for accounting periods beginning on or after 1 January (ie 2026/27).

63. Colleges following the SORP are required to apply all requirements under FRS 102, relevant legislation, and the accounts direction. The accounts direction for incorporated colleges in Scotland also requires compliance with the FReM where applicable.

64. The draft SORP does not diverge from FRS 102 however it provides interpretations to aid the practical implementation and requires a small number of additional disclosures to ensure consistency.

65. The main items for consideration in the invitation to comment are in respect of amendments to FRS102 summarised in the following table:

Area	Guidance
Leases	<p>Section 14 would apply to all leases, including subleases, unless FRS102 requires alternative treatment (e.g. biological assets).</p> <p>A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This may include arrangements that do not take the legal form of a lease.</p> <p>Where the lease payments are significantly below market rents the lessor may have provided the lessee with a government grant or a donation. The lessee should recognise these as part of the cost of the right-of-use asset. Where the contractual payments are not substantive, for example peppercorn or nominal consideration, the arrangement may not meet the definition of a lease.</p> <p>A lessee, may choose not to apply the requirements to:</p> <ul style="list-style-type: none"> • short-term leases; and • leases for which the underlying asset is of low value. <p>At the commencement date, a lessee recognises a right-of-use asset, measured at cost, and a lease liability measured at the present value of the lease payments.</p>

Area	Guidance
	<p>A lessor classifies leases as either an operating lease or a finance lease based on the risks and rewards incidental to ownership of the underlying asset.</p>
<p>Revenue from contracts with customers</p>	<p>Section 16 would apply to revenue from transactions that have commercial substance such as:</p> <ul style="list-style-type: none"> • tuition fees paid by students, including those paid via the Student Loans Company. • commercial revenue (e.g. conferences, consultancy). <p>It does not apply to funding for education contracts and broader research grants. However, there may be examples of research contracts which are of commercial substance.</p> <p>The revenue recognition model is a five-step process to:</p> <ul style="list-style-type: none"> • identify the contract • identify the performance obligations in the contract • determine the transaction price • allocate the transaction price to the obligations • recognise revenue when (or as) the obligations are satisfied.
<p>Principal or agent</p>	<p>Paragraphs 16.18 to 16.23 provide guidance on whether a college is acting as principal or as an agent. A college is acting as:</p> <ul style="list-style-type: none"> • principal where it obtains control of a specified good or service before it is transferred to the customer and promises to provide the goods or service itself. A principal recognises revenue as it satisfies its performance obligation • an agent where the performance obligation is to arrange for the provision of the specified good or service by another party. An agent recognises any fee or commission as it satisfies the performance obligation.

66. Responses to the consultation should be submitted via the online [survey](#) by 30 April 2025.

7: Professional matters

Revised Property Valuation Standards

67. The [Royal Institution of Chartered Surveyors \(RICS\)](#) have issued revised [Valuation Global Standards](#) (the red book) which are effective from 31 January 2025. The red book ensures that property valuation assignments are carried out in accordance with International Valuation Standards (IVS), promoting a consistent approach and aiding the understanding of the valuation process and the value reported.

68. This edition of the Red Book applies the latest international standards and supplements them with additional requirements and best practice guidance focussing on practical implementation. The Standards are set out in six parts summarised in the following table:

Part	Content
1 and 2	Introduction and Glossary
3 and 4	Cover matters relevant to valuation assignments generally including <ul style="list-style-type: none"> • professional and ethical standards • terms of engagement • valuation approaches and methods
5	Contains advisory material, valuation practice guidance – applications (VPGAs), which include best practice recommendations and optional matters including: <ul style="list-style-type: none"> • VGPA 1 which covers valuations for financial reporting purposes • VPGA 11 covering the valuers' relationships with auditors
6	This section sets out the full IVS

8: Fraud and irregularities

This chapter provides a synopsis of a statutory report from the Controller of Audit which highlighted weaknesses in internal control at the audited body.

Auditors should consider whether weaknesses in internal control which facilitated the fraud may exist in their bodies and take the appropriate action.

Council tax refunds

69. The Controller of Audit has issued a [report](#) detailing how a former council employee diverted fraudulent payments totalling £1.109 million to their own bank account over a period of 17 years.

Key features

The perpetrator identified council tax accounts with historical credit balances and used their unsupervised authority to issue refunds and divert the funds to themselves.

A lack of segregation of duties and monitoring in relation to council tax refunds allowed the perpetrator to transfer balances between council tax accounts, input bank account details and process refunds without any checks.

The fraud was identified after a member of staff identified an irregular transaction and raised the matter with a Council Tax Manager.

The council has carried out a review of the systems and processes operating around accounts in credit and refunds. Action has been taken to strengthen segregation of duties between processing and approving refunds and inputting bank details. An improvement plan has also been prepared covering council tax refunds and wider banking and supplier payment controls.

The perpetrator pled guilty to criminal charges of embezzlement and received a four-year prison sentence.

The council has reached agreement with the perpetrator to recover funds with the council's insurers expected to cover any remaining loss.

Technical Bulletin 2025/1

Technical developments and emerging risks from January to March 2025



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 **Email: info@audit.scot**
www.audit.scot