

Highland and Western Isles Valuation Joint Board



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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 were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by Highland and Western Isles Valuation Joint Board (the Board).

Financial Sustainability and Best Value audit

- 3 The Board has effective and appropriate arrangements in place for securing financial management and sustainability.
 - 4 The Board has 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 Highland and Western Isles Valuation Joint Board annual accounts and the wider scope areas specified in the Code of Audit Practice (2021).
2. The Annual Audit Report is addressed to the Highland and Western Isles Valuation Joint Board, hereafter referred to as 'the Board' and the Controller of Audit, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Esther Scoburgh of Audit Scotland, has been appointed as external auditor of the Board for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, the audit team are independent of the Board in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the Board, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Concluding on the financial management and sustainability of the Board and a review of the Annual Governance Statement.
- Reporting on the Board's arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the 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 financial sustainability 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 for the body that gives 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 performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to 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 were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the Board.

Audit opinions on the annual accounts

12. The annual accounts were approved by the Board and certified by the appointed auditor on 7 October 2025. The Independent Auditor's Report is included in the Board's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Audit timetable

13. The unaudited annual accounts and all working papers were received on 27 June 2025 in accordance with the agreed audit timetable. The working papers were of a good quality.

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

17. Materiality levels for the audit were determined at the risk assessment phase and were reported in the Annual Audit Plan, which also reported the judgements made in determining the materiality levels. Materiality levels were reassessed and updated on receipt of the unaudited annual accounts and can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the Highland and Western Isles Valuation Joint Board (HWIVJB)

| Materiality | HWIVJB |
|---|---------|
| Materiality: Set at 2% of gross expenditure. | £78,000 |
| Performance materiality: Set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required. | £58,000 |
| Reporting threshold: Set at 5% of materiality. | £4,000 |

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance (the Board).
19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.
20. In determining key audit matters, auditors consider:
- Areas of higher or significant risk of material misstatement.
 - 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. Key audit matters identified in the Annual Audit Plan are outlined in [Exhibit 2](#).

Exhibit 2

Key audit matters

| Significant findings and key audit matters | Outcome |
|--|---|
| <p>Pension Valuation</p> <p>Our Annual Audit Plan noted a key audit matter regarding the pension valuation. This is due to the significant degree of subjectivity in the measurement and valuation of the pension fund balance and pension costs / income and the use of an expert.</p> | <p>Satisfactory</p> <p>We reviewed the pension valuation including the information provided by the actuary, the actuarial assumptions, estimates, financial and demographic assumptions.</p> <p>We assessed the scope, independence and competence of the actuary engaged in providing pension estimates and reviewed the appropriateness of the actuarial assumptions and their results and compared these with similar organisations.</p> <p>We also reviewed the Board's arrangements for ensuring the reasonableness of the professional estimations and the accuracy of information provided to the actuary.</p> <p>There were no issues noted.</p> |

Source: Audit Scotland

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 Board was assessed as part of the audit. These were considered to be appropriate to the circumstances of the organisation, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

24. Accounting estimates are used in number of areas in the financial statements, including the valuation of the pension. 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 the valuation of the pension liability.

Significant matters discussed with management

26. All significant matters identified during the audit were discussed with management and have been reported in the Annual Audit Report.

Audit adjustments

27. An audit adjustment was required to the financial statements in relation to the disclosure of the Right of Use Asset and lease liability under IFRS 16. The adjustment is detailed below in [Exhibit 3](#).

Exhibit 3

Audit adjustments

| Details | Financial statements lines impacted | Comprehensive Income and Expenditure Statement (CIES) | | Balance Sheet | |
|--|-------------------------------------|---|------|---------------|------|
| Audit adjustments to financial statements | | Dr | Cr | Dr | Cr |
| | | £000 | £000 | £000 | £000 |
| 1. To correct the Right of Use (ROU) asset and associated liability for the rent-free period under new IFRS 16 (leases) rules: | | | | | |
| Recognition of ROU Asset | ROU Asset PPE | | | | 72 |
| | ST Lease Liability | | | 37 | |
| | LT Lease Liability | | | 35 | |
| Interest Expense | Interest Expense | | 4 | | |
| | Lease Liability | | | 4 | |
| Depreciation Expense | Depreciation | | 6 | | |

| Details | Financial statements lines impacted | Comprehensive Income and Expenditure Statement (CIES) | Balance Sheet |
|---|-------------------------------------|---|---------------|
| | ROU Asset PPE | | 6 |
| Statutory Reversal Depreciation | Capital Adjustment Account | | 6 |
| | General Fund | | 6 |
| Statutory Provision for Repayment of Debt | General Fund | | 4 |
| | Capital Adjustment Account | | 4 |
| Recognition of ST element for 25/26 | ST Lease Liability | | 28 |
| | LT Lease Liability | | 28 |
| Net impact on financial statements | | 10 | 120 |
| | | | 110 |

Source: Audit Scotland

28. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. There were no uncorrected misstatements.

Significant risks of material misstatement identified in the Annual Audit Plan

29. 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 4](#).

Exhibit 4

Significant risk(s) of material misstatement to the financial statements

| Significant risk(s) of material misstatement | Planned audit response | Outcome of audit work |
|--|---|---|
| Fraud caused by management override of controls | <p>The audit team will:</p> <ul style="list-style-type: none"> • Make inquiries of individuals involved in the financial reporting process | <p>Satisfactory</p> <ul style="list-style-type: none"> • No issues identified that indicated misstatements due to fraud caused by |

| Significant risk(s) of material misstatement | Planned audit response | Outcome of audit work |
|--|--|--|
| 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>about inappropriate or unusual activity relating to the processing of journal entries.</p> <ul style="list-style-type: none"> • 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 these for evidence of management bias. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focused testing of accounting accruals and prepayments | <p>management override of controls.</p> <ul style="list-style-type: none"> • Testing focused on journal entries around the year-end. • Officers involved in financial reporting processes did not identify any unusual activity. • Audit testing of income and expenditure confirmed they were recorded in the correct financial year. • No significant issues were identified from transactions outside the normal course of business. • Testing of accruals and prepayments did not identify any errors. • 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. |

Source: Audit Scotland

Prior year recommendations

30. Substantial progress in implementing the agreed prior year audit recommendation as further detailed in [Appendix 1](#).

Financial Sustainability and Best Value Audit

Conclusion

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

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

Audit approach to wider scope and Best Value

Wider scope: Financial management and sustainability

31. The Annual Audit Plan reported that the Board 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.

32. The 2024/25 budget was presented to the Board at the February 24 meeting. The proposed budget was £3.69 million made up of £3.319 million of core costs and £0.371 million for NDR reform.

33. We note that income and expenditure are monitored regularly throughout the year and generally on a monthly basis. Changes in expectations around the estimated outturn of income and expenditure items against budgeted figures are reported to the Board at their quarterly meetings as part of the Departmental Reports.

34. The 2024/25 budget also includes proposals for the next three years to 2026/27.

35. The Board's net operating expenditure for 2024/25 was £3.61 million compared against the budget of £3.69 million resulting in a £0.077 million underspend. The underspend is mainly due to an increase in income including non-specific grants (£0.136 million) and interest on revenue balances (£0.04 million). These items did not form part of the original budget.

Reserves increased and £0.074 million will be returned to the constituent authorities

36. The Board maintains a general fund balance to support medium-term financial planning and to address any unforeseen costs. Members agreed that a maximum of 3% core cost budget should be added in any one year as long as the cumulative uncommitted balance does not exceed 5% of the core costs budget in that year.

37. Of the £0.077 million surplus in 2024/25, £0.003 million was transferred to the general fund and the remainder, £0.074 million returned to the constituent authorities.

Planned use of reserves in 2025/26

38. The Board approved its 2025/26 budget in February 2025. The £4.0 million budget includes core costs of £3.6 million and NDR reform costs of £0.4 million. Members agreed to fund the budget with funds from constituent authorities.

39. The 2025/26 budget includes a planned use of reserves for the self-catering unit (SCU) audit. This will be used to fund staff changes including a new Divisional Valuer to lead on the SCU audit. The amount requested from the reserves is £0.047 million. The amount requested also covers additional postage costs associated with the upcoming elections.

40. In addition, as part of longer term planning, the Assessor has proposed staffing changes which include the reclassification of a part-time valuer post and surveying technician post to becoming two, full time surveying technician posts, as well as amending a vacant valuer post to trainee valuer post.

41. It is anticipated that the draw on reserves will only be in 2025/26 with no future draw down planned for or anticipated in 2026/27 or 2027/28.

Conclusions on financial management and sustainability

42. The audit work performed on the arrangements the Board has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the Board:

- Making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Service Plan and priorities.
- Having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- Having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.

Best Value

43. The duty on auditors to consider the arrangements in place to secure Best Value applies to the Board as it falls within section 106 of the Local Government (Scotland) Act 1973. The [Local Government in Scotland Act 2003](#) further explains that it is the duty of the Board to make arrangements to secure best value, which is continuous improvement in the performance of the Board's functions. Consideration of the arrangements the Board has in place to secure Best Value has been carried out below.

Conclusions on Best Value

44. The aim of the Board is to *“discharge certain statutory functions and responsibilities in terms of the Valuations Act relating to the preparation, publishing and maintenance of both the Valuation Roll and Council Tax List.”*

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

- The Board having well established and effective governance arrangements in place, with the Best Value being part of the Board's governance arrangements.
- The Board's Service Plan 2025-2028 includes a section on Best Value
- The introduction of Performance Indicators for year on year comparisons as part of the implementation of the Electoral Commission's recommendations.
- Securing a rent free period on the new lease agreed for the Inverness office.
- The move to full digitisation of Council Tax and Non-Domestic Rates files which frees up office space and allows for more efficient home and hybrid working.
- Public Sector Equality Duty Mainstreaming and Outcomes Report presented to the June 2025 Board meeting setting out the outcomes and progress up to April 2025.

Appendix 1: Action Plan 2024/25

2024/25 recommendations

| Matter giving rise to recommendation | Recommendation | Agreed action, officer and timing |
|--------------------------------------|----------------|-----------------------------------|
| There are no 2024/25 recommendations | | |

Follow-up of prior year (2023/24) recommendations

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|--|---|---|
| <p>1. Reporting on Performance Standards</p> <p>The Electoral Commission published new performance standards with the Board who are due to meet them to discuss and agree.</p> <p>The Board will look to add more detail on how they are achieving these standards by way of narrative, figures and statistics within their annual accounts.</p> <p>Risk: The Board fail to report on how they are performing against the Commissions new performance standards.</p> | <p>The Board should provide more narrative, figures and statistics on how they are performing against the Electoral Commissions new performance standards</p> <p>Agreed action: Display greater detail of performance within annual accounts.</p> <p>Responsible officer: Assessor and ERO</p> <p>Agreed date: 31 March 2025</p> | <p>Implemented</p> <p>The management commentary in the annual accounts now includes comparisons of the number of Invitations to Register issued this year. Further statistics will be produced from the electoral management system for future accounts.</p> |

Appendix 2: National and Performance Audit reports

| Report name | Date published |
|--|------------------|
| Council Tax rises in Scotland | 28 March 2025 |
| Transparency, transformation and the sustainability of council services | 28 January 2025 |
| Local government in Scotland: Financial bulletin 2023/24 | 28 January 2025 |
| Auditing climate change | 7 January 2025 |
| Public service reform in Scotland: how do we turn rhetoric into reality? | 26 November 2024 |
| Fiscal sustainability and reform in Scotland | 21 November 2024 |
| Transformation in councils | 1 October 2024 |
| The National Fraud Initiative in Scotland 2024 | 15 August 2024 |
| Local government budgets 2024/25 | 15 May 2024 |

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2024/25 Annual Audit Report



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