Annual Audit Report for Grampian Valuation Joint Board

Financial year ended 31 March 2024

Prepared for those Charged with Governance and the Controller of Audit

31 January 2025

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect Grampian Valuation Joint Board or all weaknesses in your internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2021). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive Summary (1)

This table summarises the key findings and other matters arising from the external audit of Grampian Valuation Joint Board (GVJB) and the preparation of the financial statements for the year ended 31 March 2024 for those charged with governance (the Board) and the Controller of Audit.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and Audit Scotland's Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The financial statements give a true and fair view of the state of affairs of GVJB as at 31 March 2024 and of the income and expenditure of GVJB for the year;
- GVJB's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code;
- GVJB's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local government in Scotland Act 2003.

We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016).

We have completed our work and anticipate issuing an unmodified opinion on 31 January 2025.

We have concluded that the Remuneration Report has been prepared in accordance with requirements, the Governance Statement has been prepared in accordance with the relevant guidance and the other information to be published alongside the financial statements is consistent with our knowledge of GVJB.

Draft financial statements

The draft financial statements were presented for audit by the deadline of 30 June 2024, with the Board authorising their financial statements on 28 June 2024.

Target completion dates

The target completion dates for the 2023/24 audit was 30 September 2024.

The target timeline has not been achieved. Following discussion with the client, it was agreed that the 30 September deadline would not be achieved due to the finance team having other priorities. It was agreed that the timeline of the GVJB audit be altered, with the Annual Report due to be presented at the 01 November 2024 Board meeting.

Audit work commenced in September 2024, however due to delays in receiving supporting information from the client, it was agreed that the audit be paused and completed in December 2024, with the Annual Report being presented to the 31 January Board meeting.

We have raised a recommendation for GVJB to ensure there are adequate resources to respond to the audit with the aim to return to target dates in future years. A recommendation on the audit timeline has been raised at Appendix 2.

Executive Summary (2)

Financial Statements

IFRIC 14

A national issue has been identified in relation to the accounting for pensions. The issue relates to how actuaries have considered secondary contributions in their calculations. As a result, we asked GVJB to request updated actuary reports whereby secondary contributions are not considered in perpetuity. We have reviewed the updated actuary report for 2023/24 and confirmed there were no implications for the annual accounts (see below for amendment to pension liability identified by the audit team prior to this issue being raised).

The actuary also confirmed there were no changes to the 2022/23 comparative figures as a result of the updated guidance.

Amendments to the primary financial statements

There was one adjustments made to the primary financial statements of GVJB that was identified by the audit team.

The adjustment related to:

- The pension liability included in the draft accounts was overstated by £0.140 million. This was due to the incorrect application of the asset ceiling included in the actuary report provided to GVJB. GVJB's interpretation of this asset ceiling led to the pension liability in the draft accounts being stated as £0.304 million which was incorrect. The accounts have been amended and reflected the correct pension liability at 31 March 2024 of £0.164 million.

All other audit adjustments have been made to disclosures only and are detailed in Appendix 1.

Amendments to the primary financial statements (continued)

We have identified three audit recommendations for management as a result of our audit work on the financial statements. These recommendations are detailed at Appendix 2.

Our follow up of the one recommendation made in the prior year audit is detailed in Appendix 3. The recommendation is now closed.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team in completing the external audit.

Executive Summary (3)

Wider scope

In accordance with Code and supporting guidance: "Supplementary Guidance - wider scope audit, less complex bodies and Best Value", we have concluded that GVJB is a 'less complex body' and therefore, carried out more limited wider scope work.

As required by the Code and this supporting guidance, we have assessed both the quantitative and qualitative risk factors related to GVJB and concluded that GVJB qualifies for this exemption for 2023/24.

A review of the Annual Governance Statement and concluding on financial sustainability are the areas of scope for the wider scope work.

Annual governance statement

We did not raise any significant issues in relation to the disclosure within the Annual Governance Statement. Minor changes were suggested, and these were amended in the final set of financial statements. Appendix 1 provides a summary of the changes made.

Financial sustainability

We did not identify any issues in relation to financial sustainability. GVJB returned unused requisition payments to the partner authorities due to the significant underspend in 2023/24.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year at GVJB. The scope of our audit was set out in our External Audit Plan.

The core elements of our audit work in 2023/24 have been:

- An audit of GVJB's annual report and accounts for the financial year ended 31 March 2024 [findings reported within this report];
- A review of the Annual Governance Statement and concluding on financial sustainability in accordance with wider scope requirements [within this report];
- Any other work requested by Audit Scotland.

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to GVJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

GVJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts in accordance with proper accounting practices. GVJB is also responsible for compliance with legislation, and establishing arrangements over governance, propriety and regularity that enable it to successfully deliver its objectives.

Our responsibilities as independent auditors, appointed by the Accounts Commission, are set out in the Local Government in Scotland Act 1973, the Code and supplementary guidance, and International Standards on Auditing in the UK.

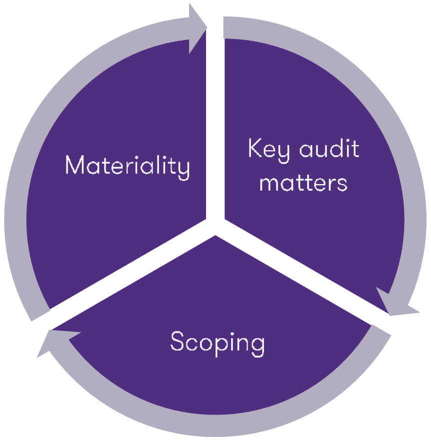
The recommendations or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve officers from their responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to GVJB throughout our audit work. We do this through using our wider public sector knowledge and expertise to provide constructive, forward looking recommendations where we identify areas for improvement and encourage good practice around financial management and financial sustainability, risk management and performance monitoring. In so doing, we aim to help GVJB promote improved standards of governance, better management and decision making, and more effective use of resources.

Audit of the annual report and accounts (1)

Our approach to the audit of the financial statements



Overall materiality

We set overall materiality at £91,920 which represents 2% of the entity's gross expenditure.

This has been updated from a planning materiality of £98,440 which was reported in our Audit Plan. This is due to the significant downward movement in gross expenditure from the 2022/23 value, upon which planning materiality had been based.

Key audit matters

The key audit matters were identified as:

- The valuation of the defined benefit pension scheme
- The valuation of land and buildings.

Significant risks

Other than the key audit matters noted above the other significant risks were identified as:

- Management override of controls (ISA (UK) 240); and
- Risk of fraud in expenditure recognition – non payroll expenditure (PN10).

Internal control environment

In accordance with ISA requirements we have developed an understanding of the Commission's control environment. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is substantive in nature. In accordance with ISAs, over those areas of significant risk of material misstatement we consider the design of controls in place.

However, we do not place reliance on the design of controls when undertaking our substantive testing. We identified no material weaknesses or areas of concern from this work which would have caused us to alter the planned approach as documented in our plan.

Recap of our audit approach and key changes in our audit strategy

There has been no change to our anticipated audit approach from our Audit Plan.

Audit of the annual report and accounts (2)

Status of Audit Work

Our work is substantially complete, and at this stage there are no matters of which we are aware that would require modification of our audit opinion. Subject to the finalisation of the following outstanding matters, the financial statements will be presented to the Board at the meeting on 31 January 2025:

- finalisation of review of disclosures and accounting policies within the financial statements and Annual report

In addition, the usual closing processes at the final stages of the audit process will need to be performed as listed below:

- receipt of management representation letter
- review of the final set of financial statements
- receipt of final signed financial statements
- final sign off by the engagement lead
- receipt of management's updated going concern and post balance sheet events assessment at the date of sign off.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team.

Audit of the annual report and accounts (3)

Our audit opinion

Auditor's report on the financial statements

Subject to the satisfactory completion of outstanding items, we anticipate issuing an unmodified audit opinion.

As reported in the independent auditor's report, our opinion will cover whether, in our opinion:

- GVJB's financial statements give a true and fair view of the state of affairs of GVJB as at 31 March 2024 and of the income and expenditure of GVJB for the year;
- GVJB's financial statements have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the CIPFA Code of Practice on Local Authority Accounting 2023/24 ('the 2023/24 Code');
- GVJB's financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) regulations 2014, and the Local Government in Scotland Act 2003; and
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

We are required to report whether the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

We are also required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Our work relating to the review of Management Commentary and Annual Governance Statement is complete and we have no significant or material matters to report to you in respect of the Management Commentary and the Annual Governance Statement.

Audit of the annual report and accounts (4)

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Basis for our determination of materiality

- **Materiality for financial statements as a whole** - We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
- **Performance materiality used to drive the extent of our testing** - We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
- We have determined planning materiality in the context of our knowledge of the business, including consideration of factors such as key stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.
- We have used gross expenditure as the basis for determining materiality.

Specific materiality

- We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Reporting threshold

- We determine a threshold for reporting unadjusted differences to the GVJB Board.
- We will report to you all misstatements identified in excess of £4,600, in addition to any matters considered to be qualitatively material.

Audit of the annual report and accounts (5)

Our application of materiality (continued)

As communicated in our Audit Plan dated 31 March 2024, we determined financial statement materiality at the planning stage as £98,440 based on 2% of gross expenditure. Performance materiality was set at £73,830 based on 75% of overall materiality. At year-end, we have reconsidered planning materiality based on the final financial statements and decreased the levels to those set out below.

We will report to you all misstatements identified in excess of £4,600, in addition to any matters considered to be qualitatively material. A lower level of materiality of £25,000 is set for the senior officers' disclosures within the Remuneration Report.

Materiality was determined as follows

Financial Statement Materiality threshold	Financial Statement materiality has been set at £91,120 which represents 2% of GVJB's gross expenditure. Financial Statement materiality is £1,120 higher than the materiality level set in the prior year audit.
Performance Materiality threshold	Performance materiality for the year has been set at £73,830 which represents 75% of financial statement materiality. Performance materiality is £12,730 higher than the materiality level set in the prior year audit.
Significant judgements made by auditor in determining materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the significant judgements in selecting the appropriate benchmark of expenditure and the appropriate percentage to apply to the benchmark.
Significant revision(s) of materiality threshold that were made as the audit progressed	We calculated materiality during the planning stage of the audit and the during the course of our audit, we re-assessed initial materiality based on actual gross expenditure for the year ended 31 March 2024 and adjusted our audit procedures accordingly.

Audit of the annual report and accounts (6)

Detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to GVJB and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks; International Financial Reporting Standards and the 2023/24 Local Government Accounting Code of Practice.
- We enquired of Senior Officers and the Convener of the GVJB Board, concerning GVJB's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of Senior Officers and the Convener of the GVJB Board, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of GVJB's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that altered GVJB's financial performance for the year and potential management bias in determining accounting estimates in relation to the valuation of land and the estimations in respect of GVJB's defined pension liability. Our audit procedures are documented within our response to the significant risk of management override of controls below.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in in certain account balances and significant accounting estimates.

Audit of the annual report and accounts (7)

Detecting irregularities, including fraud (continued)

In assessing the potential risks of material misstatement, we obtained an understanding of:

- GVJB's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- GVJB's control environment, including the policies and procedures implemented by GVJB to ensure compliance with the requirements of the financial reporting framework.

Audit of the annual report and accounts (8)

Overview of audit risks

The table below summarises the key audit matters and significant risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Testing approach	Status of work
Defined benefit pension scheme valuation	Significant	↔	×	✓	High	Substantive	● Green
Valuation of land and buildings	Significant	↔	×	✓	High	Substantive	● Green
Management override of controls	Significant	↔	✓	×	Low	Substantive	● Green
Risk of fraud in expenditure	Significant	↔	✓	×	Medium	Substantive	● Green

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

Green - Not considered likely to result in material adjustment or change to disclosures within the financial statements
Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements
Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Audit of the annual report and accounts (9)

Significant risks and Key Audit Matters

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Board's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

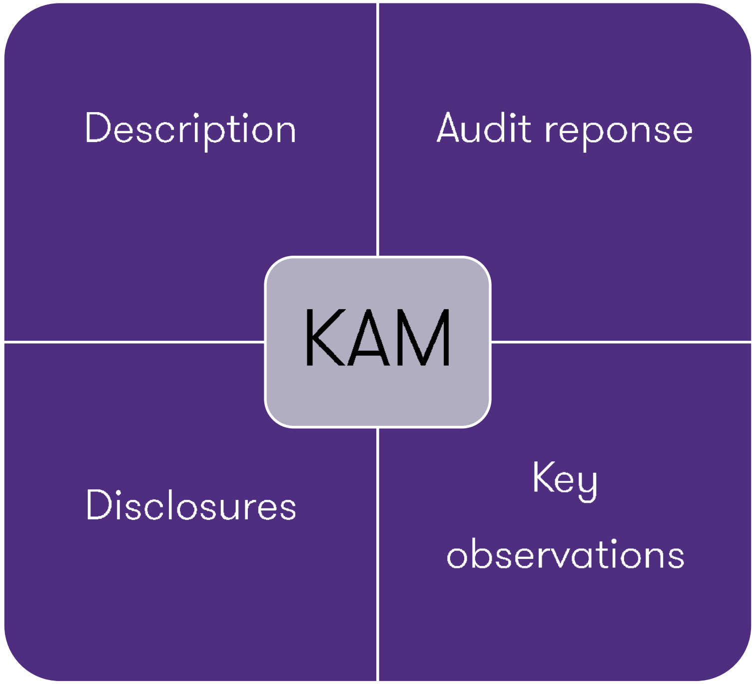
These matters included those that had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other risks

Other risks are, in the auditor's judgment, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.



Audit of the annual report and accounts (10)

Significant risks and Key Audit Matters (continued)

Risk 1: Management override of controls	Commentary
As set out in ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' there is a presumed risk that management override of controls is present in all entities. Our risk focuses on the areas of the financial statements where there is potential for management to use their judgement to influence the financial statements alongside the potential to override the entity's internal controls, related to individual transactions. Our work focuses on journals, critical estimates and judgements, including accounting policies, and unusual transactions.	In response to the risk highlighted in the audit plan we carried out the following work: • Documented our understanding of and evaluated the design effectiveness of management's key controls over journals; • Analysed your full journal listing for the year and used this to determine our criteria for selecting high risk journals; • Tested the high- risk journals we have identified; • Gained an understanding of the critical judgements applied by management in the preparation of the financial statements and considered their reasonableness; • Gained an understanding of the key accounting estimates made by management and carried out substantive testing on in scope estimates.; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Our results** GVJB utilises the Moray Council ledger for recording its transactions. Our work on journals identified that the Council does not have journal authorisation processes within the general ledger, and processes are more informal. There is a reliance upon reactive controls through the budget monitoring process, whereas proactive controls would enhance the ability to reduce the risk of fraud or error from the opportunity to override management controls. Our work on journals for GVJB has required extra testing to mitigate this risk. A recommendation has been made in this area in the Moray Council Annual Audit Report. The additional work to respond to the elevated risk level has meant we have completed extra sample testing being over journals. This has led to us seeking an increased audit fee. This is set out at Appendix 4. Our work is complete and has not identified any further issues from testing to raise with you.

Audit of the annual report and accounts (11)

Significant risks and Key Audit Matters (continued)

Risk 2: The revenue cycle includes fraudulent transactions	Commentary
As set out in ISA (UK) 240 (Revised May 2021) there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. (rebutted)	Auditing standards require us to consider the risk of fraud in Revenue. This is considered a presumed risk in all entities. Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at GVJB, we have determined that the risk of fraud arising from revenue recognition can be rebutted as there is deemed to be little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are deemed to be limited. **Our results** Our work has not identified any issues in relation to revenue recognition.

Audit of the annual report and accounts (12)

Significant risks and Key Audit Matters (continued)

Risk 3: Risk of fraud in expenditure	Commentary
As set out in practice note 10 (Revised 2022) 'The Audit of Public sector Financial Statements', issued by the Public Audit Forum, which applies to all public sector entities, we consider there to be an inherent risk of fraud in expenditure recognition. GVJB's expenditure includes both payroll and non-payroll costs. We consider payroll costs to be well forecast and are able to agree these costs to underlying payroll systems. As such we believe there is less opportunity for a material misstatement as a result of fraud to occur in this area. We therefore focussed our risk on the non-payroll expenditure streams. Our testing included a specific focus on year end cut-off arrangements, including consideration of the existence of accruals in relation to non payroll/non finance expenditure.	In response to the risk highlighted in the audit plan we carried out the following work: • Evaluated your accounting policy for recognition of expenditure for appropriateness and compliance with the CIPFA/LASAAC Code of Practice 2023/24; • Performed detail testing of expenditure transactions at and around year end to verify the accounting period transactions related to and confirm if transactions had been recognised in the correct accounting period; • Reviewed the judgements and estimates made by management when recognising accruals at year end within the financial statements, and where appropriate challenged management accordingly. Our testing included a specific focus on year end cut-off arrangements, including consideration of the existence of accruals in relation to non payroll/non finance expenditure. **Our results** Our work has not identified any issues in relation to expenditure recognition.

Audit of the annual report and accounts (13)

Significant risks and Key Audit Matters (continued)

Risk 4: Defined benefit pension scheme valuation

GVJB participates in the North East Scotland Pension Fund, a local government pension scheme. There is an established protocol in place with Pension Fund auditors to provide external auditors with relevant assurance.

The scheme is a defined benefit pension scheme and in accordance with IAS 19: Pensions, GVJB is required to recognise its share of the scheme assets and liabilities in its balance sheet.

As at 31 March 2024 GVJB had a net pension fund asset of £10.580 million (2022/23: net asset of £10.376 million). Due to the application of an asset ceiling under IFRIC 14, this asset has been capped at £nil (2022/23: also capped at £nil). GVJB also have a net pension liability of £0.164 million which related to the unfunded element of the pension.

GVJB's actuary, Mercer Limited, provide an annual IAS 19 actuarial valuation of GVJB's net liabilities in the pension scheme. There are a number of assumptions contained within the valuation, including: discount rate; future return on scheme assets; mortality rates; and, future salary projections. Given the material value of the scheme's gross assets and gross liabilities and the level of estimation in the valuation, there is an inherent risk that the defined benefit pension scheme net liability could be materially misstated within the financial statements. This risk is focussed on the appropriateness and reasonableness of the underlying assumptions adopted by the actuary and the suitability of these for GVJB.

We identified the defined benefit pension scheme valuation as one of the most significant assessed risks of material misstatement due to error, and as a key audit matter.

Commentary

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Evaluated management's processes and controls for the calculation of the gross asset and gross liability and estimates, the instructions issued to the actuarial expert and the scope of their work;
- Evaluated the assumptions made by Mercer Limited in the calculation of the estimate, using work performed by an auditor's expert commissioned on behalf of Audit Scotland and additional follow up procedures (where required);
- Evaluated the data used by management's experts in the calculation of the estimates;
- Performed substantive analytical procedures over the gross assets, gross liabilities and in year pension fund movements, investigating any deviations from audit expectations;
- Assessed the accuracy and completeness of the IAS 19 estimates and related disclosures made within GVJB's financial statements.
- Reviewed management's assessment of the application of IFRIC 14.
- Evaluated the response received from the NESPF auditor in line with the Protocol for Auditor Assurances or Local Government Pension Scheme

Audit of the annual report and accounts (14)

Significant risks and Key Audit Matters (continued)

Risk 4: Defined benefit pension scheme valuation	Commentary
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Note 23 – Defined Benefit Pension Schemes As at 31 March 2024, GVJB had a net pension fund liability of £0.164 million and a pension reserve at 31 March 2024 of £0.164 million	**Our results** • Usually local government scheme (LGPS) pension liabilities calculated on an IAS 19 basis exceed any pension assets and members of the LGPS recognise a net pension liability on their balance sheet. However, a net defined benefit asset may arise where the defined benefit plan has been overfunded or where actuarial gains have arisen. • IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The pension asset can be recognised at the lower of the net pension asset or the present value of any economic benefits available. • GVJB requested an IFRIC14 assessment from the actuary which capped the pension asset at £nil. This was due to the IFRIC14 assessment where the present value of the benefits available were lower than the pension asset. • The pension liability included in the draft accounts was overstated by £0.140 million. This was due to the incorrect application of the asset ceiling included in the actuary report provided to GVJB. GVJB's interpretation of this asset ceiling led to the pension liability in the draft accounts being stated as £0.304 million which was incorrect. The accounts have been amended and reflected the correct pension liability at 31 March 2024 of £0.164 million. • A national issue has been identified in relation to the accounting for pensions. The issue relates to how actuaries have considered secondary contributions in their calculations. Where a participating body makes positive secondary contributions, these are referred to as past service contributions. IFRIC 14 requires that where past service contributions are not available in the form of a refund or reduction in future contributions, an additional liability should be recognised when the obligation arises. This liability could reduce the net defined benefit asset or increase the net liability. On review of GVJB's actuary report, it was confirmed that past service contributions had been considered in perpetuity, rather than over an appropriate funding horizon (up to a maximum of 20 years). • A revised actuary report was required for both 2023/24 and 2022/23. The revised actuary reports confirmed that there was no change to the overall pension liability position and therefore no amendments were required to the financial statements for the change in the calculation of past service contributions.

Audit of the annual report and accounts(15)

Significant risks and Key Audit Matters (continued)

Risk 5: Valuation of land and buildings

In accordance with the CIPFA/LASAAC Code of Practice, subsequent to initial recognition, GVJB is required to hold property and property, plant and equipment (PPE) on a valuation basis. The valuation basis used depends on the nature and use of the assets. Specialised land, buildings, equipment, installations and fittings are held at depreciated replacement costs, as a proxy for fair value. Non-specialised land and buildings, such as offices, are held at fair value.

GVJB's valuations are performed by Moray Council's internal valuer who undertakes a rolling programme of valuations across the asset base, valuing land and buildings at least once every five years. In the intervening periods, the valuer carries out a desktop review to assess the material accuracy of the assets not revalued to inform GVJB management. This includes an indexation assessment performed by the valuer. As at 31 March 2024, GVJB held PPE of £0.627 million for land and buildings. GVJB has two office buildings valued at existing use value on their balance sheet, one owned and one with user rights. The assets were subject to a formal revaluation during 2023/24.

Given the significant value of the land, and non-specialised buildings held by GVJB, and the level of complexity and judgement involved in their estimation process, there is an inherent risk of material misstatement in the year end valuation of some of these assets.

We therefore focussed our audit attention on reviewing if any assets had unusual changes in valuations compared to last year and / or unusual approaches to their valuations, as a significant risk requiring special audit consideration and one of the most significant assessed risks of material misstatement due to error and a key audit matter.

How our scope addressed the matter –

In responding to the key audit matter, we performed the following audit procedures. As there was no revaluation during the year, the procedures were limited to those set out below

- evaluated management's processes and controls for the calculation of the valuation estimates, the instructions issued to their valuer and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- evaluated the most recent valuer's report and assessed for reasonableness;
- tested all of the asset revaluations made during the year to ensure they had been input accurately into GVJB's asset register, and the revaluations had been correctly reflected in the financial statements;

Audit of the annual report and accounts(16)

Risk 5: Valuation of land and buildings (continued)	Commentary
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2023 • Note 11 - Property, Plant and Equipment As at 31 March 2024 GVJB held land and building assets of £0.627 million	**Our results** • We reviewed the underlying calculations for the valuation of the two land and building assets held by GVJB and did not identify any issues. • We confirmed the revaluation movements during 2023/24 were accurately reflected in the accounts and that the accounting treatment was correct. • We received confirmations from the Moray Council valuer regarding the independence and the scope of any work undertaken by the valuer. • Our review of the understanding of the main assumptions used in the valuations did not raise any issues. • Moray Council's asset valuer (who also performs the valuation exercise for GVJB) retired in September 2024 and GVJB will need to ensure it has a replacement in place who can perform the revaluations exercise in 2024/25. GVJB should ensure there is early discussion with the new valuer and external auditors to ensure the new valuer is aware of the responsibilities they will need to undertake as part of the audit process. A recommendation on the approach to revaluations has been raised at Appendix 2.

Audit of the annual report and accounts (17)

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our audit. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or due to their complexity or importance to the user of the accounts:

Issue	Commentary
Matters in relation to fraud and irregularity	It is GVJB's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from officers and those charged with governance regarding GVJB's assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any incidents in the period and no issues in relation to these areas have been identified during the course of our audit procedures that are outside of the usual expected investigations.
Accounting practices	We have evaluated the appropriateness of GVJB's accounting policies, accounting estimates and financial statement disclosures. No issues were identified.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. We have not identified any cases of money laundering or fraud at GVJB.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified from work performed.

Audit of the annual report and accounts (18)

Other key elements of the financial statements (continued)

Issue	Commentary
Governance statement	We are required to report on whether the information given in the Annual Governance Statement is consistent with the financial statements and prepared in accordance with the Delivering Good Governance in Local government: Framework (2016). No inconsistencies have been identified, we plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required by the Accounts Commission to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.
Written representations	A standard letter of representation has been requested from GVJB as required by auditing standards.
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2022). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by GVJB meets this criteria, and so we have applied the continued provision of service approach. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered management's (senior officer's) assessment of the appropriateness of the going concern basis of accounting and conclude that: • a material uncertainty related to going concern has not been identified • management's (senior officer's) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Audit of the annual report and accounts (19)

Other key elements of the financial statements (continued)

Issue	Commentary
IFRS 16	As a local government body, and in line with the Code of Audit Practice for Local Authority Accounting in the UK, GVJB is required to adopt IFRS 16 Leases. Adoption of IFRS 16 is optional for local government bodies until 2024/25 and GVJB did not choose to adopt in 2023/24. Therefore, 2024/25 will be the first year GVJB will account for leases in line with IFRS 16. Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2025. GVJB will need to ensure that they understand the full accounting requirements of IFRS 16 and have identified all potentially leases which will fall under IFRS 16. GVJB will also need to ensure that it revises its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard. A recommendation on accounting for leases under IFRS 16 has been raised at Appendix 2.

Audit of the annual report and accounts (20)

Other findings – Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Advance Business Solutions e5 system – general ledger	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	All significant risk areas
iTrent – payroll	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green	N/A
CIPFA's Asset Manager – fixed assets	ITGC assessment (design and implementation effectiveness only)	●* Amber	● Green	● Green	●* Amber	Property, Plant and Equipment

GVJB utilises the IT systems operated by Moray Council.

* The overall rating has been assessed as amber due to the issues identified during the Council audit relating to the Fixed Asset Register

Assessment

● Red - Significant deficiencies identified in IT controls relevant to the audit of financial statements

● Amber - Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk

● Green - IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope

● Grey - Not in scope for testing

Financial Statements – key judgements and estimates (1)

As required in the GVJB's Accounting Polices note, officers outline critical judgements in applying accounting policies and in addition, assumptions about the future and other sources of estimation uncertainty. In particular, where estimates and judgements are identified, these should be quantified.

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

The estimate for PPE valuation has already been reported on pages 17 and 18, and the estimate for the pension asset on pages 15 and 16.

This section covers other material estimates within the financial statements.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Orange] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Yellow] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Financial Statements – key judgements and estimates (2)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Annual Leave Accruals £0.136 million	GVJB accrues for annual leave expenditure to ensure that all expenditure due to be accrued in the financial year, not yet been taken and effectively paid, is reflected within the financial statements. The Board base the estimate upon the outstanding leave commitment to calculate an estimated accrual.	We reviewed your assessment of the estimate considering: • appropriateness of the underlying information, consistency of the estimate and the adequacy of the disclosure of the estimate. Conclusion We were satisfied with the methodology for the calculation of the annual leave accrual.	Green

Wider scope and best value conclusions

Wider scope audit (1)

This section of our report sets out our conclusions from our audit work on the wider scope area of financial sustainability.

Wider scope dimension	Wider scope audit response and findings	External Audit conclusion
Financial Sustainability We are required to look ahead to the medium and longer term to consider whether GVJB is planning effectively so that it can continue to deliver services.	2023/24 Plan and Outturn For 2023/24, GVJB proposed a total revenue budget of £5.210 million. This was to be met by requisitions from constituent authorities of £5.034 million and an approved use of reserves of £0.176 million. The actual outturn for the year was £4.537 million, resulting in an underspend of £0.673 million. Due to the underspend, the approved use of reserves was not required. Following the return of requisitions to partner authorities in 2023/24, the total outturn for the year was £0.051 million. This increased the General Fund balance to £0.747 million at 31 March 2024. This includes £0.509 million which is earmarked for NDR Reform implementation. The variance was in large part due to an underspend of £0.514 million in Employee Costs due to ongoing staff vacancies. 2024/25 Financial Planning and Beyond In January 2024, the Board approved a three-year revenue budget from 2024/25 to 2026/27. The 2024/25 budget was confirmed in the January 2024 Board meeting showing net expenditure of £5.178 million. This was to be met by requisitions from constituent authorities of £5.022 million and approved use of reserves of £0.156 million. This is a £0.641 million (14%) increase on the 23/24 net expenditure and a £0.434 million (9%) increase on the 2023/24 requisitions.	GVJB incurred a significant underspend against budget of £0.673 million primarily as a result of underspend in employee costs due to vacancies. Staff vacancies compounded a challenging year for delivery of services in light of Barclay reforms. There is a risk that staffing challenges may make it difficult for Grampian VJB to achieve their planned delivery, as well introducing financial uncertainty impacting their ability to produce accurate budgets.

Wider scope audit (2)

Wider scope dimension	Wider scope audit response and findings	External Audit conclusion
Financial Sustainability (continued)	2024/25 Financial Planning and Beyond (continued) The most significant cost to Grampian VJB constitutes employee benefit costs which account for approximately 75% of total expenditure. Vacancies have been an ongoing issue for the Board for some time now, with significant underspends being reported in this area since 2020/21. There is a risk that vacancies, which are particularly prevalent in the valuation team, will make it difficult to achieve the planned delivery of services while continuing to adapt to the requirements of the Barclay Review. Staff vacancies also make it more difficult to ensure future financial planning is accurate. Management recognise the challenge in recruiting staff as a key risk to the organisation and future delivery. We have identified through review of the three-year revenue budget that management budgeted for a 10% increase in employee costs in 2023/24, and a 5% increase in both 2024/25 and 2025/26. This is despite experiencing significant underspends in employee costs in previous years due to ongoing vacancies. At the Board meeting in June 2024, management reported on a number of measures being explored to address vacancies and upskilling but noted that there is no "quick fix". Since that meeting, GVJB have appointed a new Principal Valuer in the Moray Divisional Office and recruited five other positions for roles across the organisation. However, there remain ten vacancies across the organisation as at October 2024. GVJB recognise the need to address the significant underspends in employee costs and are reviewing as part of the budget setting process. A prudent approach is being taken as GVJB do not want to reduce the budget for employee costs due to past recruitment difficulties as it would present a misleading position and lower reserves balances. There is a risk that a significant level of staff vacancies will impact on the organisations ability to deliver services in a time of ongoing reform.	Staff vacancies compounded a challenging year for delivery of services in light of Barclay reforms. There is a risk that staffing challenges may make it difficult for Grampian VJB to achieve their planned delivery, as well introducing financial uncertainty impacting their ability to produce accurate budgets. Management have reviewed the approach to budgeting for employee related costs and have confirmed they will continue to take a prudent approach. This approach is supported by Board members and ensures that GVJB will have an appropriate budget for employee costs should all roles be filled **See follow-up of prior year recommendation at Appendix 3.**

Appendices

1. Audit Adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements made during the course of the audit are set out in the table below, together with their impact on the Comprehensive Income and Expenditure Statement (CIES), the balance sheet, and the reported net expenditure of the Board for the year ending 31 March 2024.

Note that with any of the adjustments there is no impact upon usable reserves.

Detail	CIES £'000	Balance sheet £' 000
DR Pension liability		140
CR Pension reserve		(140)
DR Remeasurement of net defined liability	140	
CR MIRS	(140)	
This is the amendment made to the accounts to correct GVJB's pension liability at year ended 31 March 2024. The pension liability needed to be amended due to the incorrect application of an asset ceiling in the draft financial statement. The impact is through the CIES but mitigated through the MIRS.		

1. Audit Adjustments (2)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

Our work has not identified any unadjusted misstatements.

Impact of unadjusted misstatements in the prior year

There were no unadjusted misstatements brought forward from the 2022/23 audit

1. Audit Adjustments (3)

Misclassification and disclosure changes

The table below provides details of substantive misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements. This list of misclassification and disclosure changes reflects presentational adjustments to the financial statements which have no impact on GVJB's reported financial position.

Disclosure	Auditor recommendations	Adjusted?
Review of Annual Report and Accounts (General)	We identified a number of minor typing errors and formatting issues as part of our review of the Annual Report and Accounts. These were raised and processed by management where necessary.	Yes
Management Commentary	We identified that the management commentary would be enhanced by including detail on the steps GVJB are taking to address ongoing recruitment issues.	Yes
Annual Governance Statement (AGS)	We identified that the AGS should include disclosure on the internal audit opinion, the internal audit reviews undertaken during the year, confirmation that there are no significant governance issues and to ensure the AGS is up to date to the date of the opinion. Management were aware that the AGS should include detail on the internal audit opinion however the version of the AGS in the draft accounts had been written in May, before the internal audit review had been undertaken and reported to the Board in October.	Yes
Remuneration Report	We identified that the Remuneration of Senior Councillors, Convener and Depute Convener disclosure should provide greater clarity on the remuneration members received in 2023/24. We identified that the Remuneration Bandings table be updated so that the years were disclosed in the same order as the remainder of the remuneration report.	Yes
Balance Sheet	We identified that all Usable Reserves should be disclosed separately as opposed to being classified as a singular general fund reserve	Yes

1. Audit Adjustments (4)

Misclassification and disclosure changes (continued)

Disclosure	Auditor recommendations	Adjusted?
Note 4 – Estimation Uncertainty	We identified that PPE should be included as an estimation. We identified that a sensitivity analysis should be included in the estimation uncertainty note where appropriate.	Yes
Note 6 - Events after the balance sheet	We identified that the post balance sheet events note should be updated to amend it to the date of signing	Yes
Note 7 - Expenditure and Funding Analysis and Adjustments between Accounting Basis and Funding Basis under Regulations	We identified that the presentation of the Expenditure and Funding Analysis should be updated to reflect how the years were presented in the CIES	Yes
Note 11 – Property, Plant & Equipment	We identified that the revaluations section of the note should include reference to the annual assessment GVJB undertake to ensure that the carrying value of assets is materially accurate	Yes

2. Action plan and recommendations

Financial statements audit

We have raised three financial statements recommendations as part of our audit of the financial statements of GVJB for the year ended 31 March 2024.

Recommendation	Agreed management response/Officer/Date
1. Risk: In line with the Code of Audit Practice for Local Authority Accounting in the UK, GVJB will be required to adopt IFRS 16 Leases in 2024/25. GVJB did not choose to undertake early adoption of IFRS 16 and therefore 2024/25 will be the first year GVJB will account for leases in line with IFRS 16. Under IFRS 16 a lessee is required to recognise right-of-use assets and associated lease liabilities in its Statement of Financial Position. This will result in significant changes to the accounting for leased assets and the associated disclosures in the financial statements in the year ended 31 March 2025. Recommendation: GVJB should ensure that it understands the full accounting requirements of IFRS 16 and have identified all potential leases which will fall under IFRS 16, if this is relevant. GVJB will also need to ensure that it revises its accounting policies for the year ended 31 March 2025 to reflect the requirements of this accounting standard.	Response: One lease has been identified and appropriate action will be taken for the accounts. Responsible officer: GVJB Treasurer Target date: 31 May 2025

2. Action plan and recommendations (2)

Recommendation	Agreed management response/Officer/Date
2. Risk: The target timeline for the delivery of the audit has not been achieved. Prior to the start of the audit, it was agreed that the 30 September deadline would not be achieved due to the finance team having other priorities. The timeline of the GVJB audit was altered, with the Annual report due to be presented at the 01 November 2024 Board meeting. Audit work commenced in September 2024, however due to delays in receiving supporting information from the client, it was agreed that the audit be paused and completed in December 2024, with the Annual Report being presented to the 31 January Board meeting. Recommendation: GVJB should ensure that there are adequate resources to respond to the audit with the aim to return to target dates in future years.	Response: Suggest that expectations from the auditor and GVJB are shared, clarified and used for planning purposes well in advance of the commencement of the audit to ensure time allocated is realistic. Agreed both sides should aim to meet the target date. Responsible officer: GVJB Treasurer Target date: 31 March 2025
3. Risk: Moray Council's asset valuer (who also performs the valuation exercise for GVJB) retired in September 2024 and GVJB will need to ensure it has a replacement in place who can perform the revaluations exercise in 2024/25. Recommendation: GVJB should ensure there is early discussion with the new valuer and external auditors to ensure the new valuer is aware of the responsibilities they will need to undertake as part of the audit process.	Response: Agreed Responsible officer: Moray Council Finance Manager (in tandem with MC discussion Target date: 31 January 2025

3. Follow up of prior year recommendations

Progress against prior year audit recommendations

We have set out below, our follow up of the recommendation made in our 2022/23 audit and management's progress in implementation. The one recommendation made in the prior year is now closed.

Assessment	Recommendation previously communicated	Management update on actions taken to address the issue	Auditor Conclusion
Closed	Grampian VJB should review its budgeting for employee related costs in the context of ongoing vacancies and consider the need to re-baseline these to reflect performance against budget in recent years.	As previously agreed, GVJB reviewed its vacancy factor prior to setting the budget for 2024/25. The Board is actively recruiting to the approved establishment. Reducing the budget to reflect past recruitment difficulties would (a) be misleading as to the Board's intentions and (b) result in the Board, with relatively minimal reserves, bearing the risk that posts were filled with inadequate budget to meet cost. The constituent authorities are better placed to bear this risk. These factors have been aired as part of the budget setting process and are well known to Board members who support this prudent approach. The vacancy factor will continue to be reviewed as part of the budget setting process, but the Board will not take a high-risk approach based on a backward look.	Management have reviewed the approach to budgeting for employee related costs and have confirmed they will continue to take a prudent approach. This approach is supported by Board members and ensures that GVJB will have an appropriate budget for employee costs should all roles be filled. Recommendation closed.

4. Audit fees, ethics and independence (1)

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and GVJB that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with GVJB or investments in GVJB held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by GVJB as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and GVJB.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place with regard to non-audit services.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

4. Audit fees, ethics and independence (2)

Independence and ethics (continued)

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The tables below set out the total fees for audit and other services charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to GVJB. The table summarises all non-audit services which were identified.

4. Audit fees, ethics and independence (2)

Independence and ethics (continued)

External Audit Fee

Service	Audit Plan £	Annual Audit Report £
External Auditor Remuneration	£20,930	£24,050
Pooled Costs	£720	Nil
Contribution to Audit Scotland support costs	Nil	£710
Sectoral Cap Adjustment	-£11,120	-£10,530
2023/24 Audit Fee	**£8,800**	**£13,120**

Fees for other services

Service	Fees £
We confirm that for 2023/24, we did not receive any fees for non-audit services	Nil

1. In the planned fees this included £1,200 additional fee notified in the Audit Plan for journals work.
2. The final fee includes an additional £3,120. Therefore the increase from the base audit fee is £4,320.

The reason for the £4,320 fee variation is due to the new risk areas / and additional work required in the following areas during 2023/24:

- Journals – additional work due to the higher risk environment because of the lack of authorisation controls
- IFRIC 14 pension assessment – work required on the IFRIC14 assessment and subsequent restatement of the pension liability
- Timeliness and adequacy of audit response to working papers and samples led to increased audit resource required and extra weeks to complete the audit

4. Audit fees, ethics and independence (3)

Independence and ethics (continued)

Financial statements

The fees reconcile to the financial statements (round £000 in the financial statements).

Fees per financial statements	£13,000
Total fees per previous page	£13,120

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Mark Stocks, Partner and Head of Public Sector Assurance, 103 Colmore Row, Birmingham, B3 3AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to John Gilchrist, Audit Scotland Quality and Appointments, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2021 (grantthornton.co.uk)

5. Communication of audit matters

International Standard on Auditing ISA (UK) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance. These are set out in the table below.

Our communication plan	Audit Plan	Annual Report (our ISA 260 Report)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of GVJB's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter.		•