

Lanarkshire Valuation Joint Board

2025/26 Annual Audit Report



Prepared for Lanarkshire Valuation Joint Board and the Controller of Audit
September 2026

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Summary of audit opinions and conclusions

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 Lanarkshire Valuation Joint Board.

Financial Sustainability and Best Value audit

- 3** The Joint Board has a medium-term financial strategy in place which provides a framework for managing significant financial challenges.
 - 4** The Joint 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 2025/26 audit of Lanarkshire Valuation Joint Board's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Lanarkshire Valuation Joint Board, hereafter referred to as 'the Joint Board' and the Controller of Audit, and will be published on Audit Scotland's website in due course.

Appointed auditor and independence

3. Pauline Murray, of Audit Scotland, has been appointed as external auditor of the Joint Board for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Pauline Murray as engagement lead and the audit team are independent of the Joint 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 Joint Board, including no provision of non-audit services.

Acknowledgements

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

Audit scope, responsibilities, and fee

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.
- Conclusions on the financial sustainability of the Joint Board and a review of the Annual Governance Statement.
- Reporting on the Joint 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 Joint Board 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 Joint Board's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the Joint Board from its responsibilities outlined below.

The Joint Board's responsibilities

9. The Joint Board 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 Joint Board 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.

Audit Fee

10. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £9,920. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

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 Joint Board. Details of national and performance audit reports published over the last year can be seen in [Appendix 1](#).

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 Joint Board.

Audit opinions on the annual accounts

12. The Joint Board's annual accounts were approved on 7 September 2026 and certified by the appointed auditor on 22 September 2026. The Independent Auditor's Report is included in the Joint 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 in accordance with the agreed audit timetable.

Materiality

14. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

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

16. Materiality levels for the audit of the Joint Board were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1, \(page 8\)](#).

Exhibit 1

2025/26 Materiality levels for the Joint Board

Materiality	Amount
Materiality – set at 2% of gross expenditure	£90,000
Performance materiality – set at 70% 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.	£63,000
Reporting threshold – set at 5% of materiality.	£4,500

Source: Audit Scotland

Significant findings and key audit matters

17. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which is the Joint Board.

18. 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.

19. 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.

20. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

21. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the Joint Board's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

22. The appropriateness of accounting policies adopted by the Joint Board was assessed as part of the audit. These were considered to be appropriate to the circumstances of the Joint Board, 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

23. Accounting estimates are used in number of areas in the Joint Board's financial statements, including the valuation of the pension liability. Audit work considered the process management of the Joint Board 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.

24. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 3, \(page 11\)](#).

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 valuation of the pension liability.

Significant matters discussed with management

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

Audit adjustments

27. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £4,500 are outlined in [Exhibit 2, \(page 10\)](#).

Exhibit 2

Audit adjustments

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. Interest Received on Revenue Balances					
An adjustment was required to correct an error in the calculation of interest received on revenue balances held by the Joint Board.					
	Financing and Investment Income and Expenditure		(14)		
	Cash and Cash Equivalents			14	
Net impact on financial statements			(14)	14	
Audit adjustments in disclosures					
1. A transposition error was identified in the Cash Flow Statement, whereby creditors movement stated £17k and debtors movement stated (£22k). This has been updated to creditors (£22k) and debtors £17k.					
2. Updates were made to Note 15 Related Parties to recognise the Scottish Government as a related party, and also to include required disclosures regarding the nature of related party relationships.					

Source: Audit Scotland

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

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 3 below](#).

Exhibit 3

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Per ISA (UK) 240, this is a presumed significant risk of material misstatement that applies to all entities due to the recognition that management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk. • 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.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.

Risk of material misstatement	Planned audit response	Outcome of audit work
Valuation of the pension balance The body is a member of Strathclyde Pension Fund, which is a defined benefit pension scheme. Strathclyde Pension Fund is subject to formal valuation every three years, and this sets out each member's share of the scheme's overall pension balance and contributions for the next three years. The last formal valuation was carried out at 31 March 2023. An estimation of the body's share of the overall pension balance is required in each intervening year between formal valuations, and these are carried out by an actuary, Hymans Robertson LLP. There is a significant degree of subjectivity in the estimation of the pension balance, as the estimation is based on specialist assumptions and changes in the assumptions can result in material changes to the estimation.	The audit team will: • Evaluate the design and implementation of controls over the pension balance estimation process. • Review the information provided to the actuary and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the actuary. • Obtain an understanding of the management's involvement in the estimation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used by management for the estimation of the pension balance, and challenge these where required. • Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. Therefore, the audit team will also review the information provided by PwC and reflect this in the planned audit procedures where required.	Conclusion: no evidence of fraud caused by management override of controls. Audit work performed found: • The design and implementation of controls over the pension liability estimation process were appropriate. • The information provided to the actuary was accurate and complete. • The actuary had sufficient competence, capability, and objectivity to perform their work. • Management is involved in the estimation process and have an appropriate level of oversight. • The data and assumptions used in the estimation process were appropriate. • The information provided by PwC was reviewed and this reflected in the planned audit procedures, where required. Conclusion: the estimation of the pension balance is not materially misstated.

Source: Audit Scotland

Prior year recommendations

30. There were no recommendations made in our 2024/25 annual audit report for follow up.

Financial Sustainability and Best Value audit

Conclusion

The medium-term financial strategy provides a framework for managing the significant financial challenges.

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

Audit approach to wider scope and Best Value

Wider scope

31. The Annual Audit Plan reported the Joint 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 Joint Board.

Best Value

32. The duty on auditors to consider the arrangements in place to secure Best Value applies to the Joint Board as it falls within section 106 of the Local Government (Scotland) Act 1973.

33. Consideration of the arrangements the Joint Board has in place to secure Best Value has been carried out alongside the wider scope audit.

Conclusions on Financial Sustainability

34. The Joint Board is mainly funded by requisitions from its constituent members, North Lanarkshire Council and South Lanarkshire Council.

35. The Joint Board approved its 2025/26 budget in December 2024, with budget net expenditure of £4.082 million and a planned contribution of £1.0 million from the Joint Board's reserves. This was reviewed and updated throughout the year, which resulted in a revised net expenditure budget of £4.122 million and forecast contribution from reserves of £0.722 million.

36. The actual outturn reported for 2025/26 was net expenditure of £3.765 million and total funding income of £3.123 million, resulting in a net deficit position of £0.642 million, funded by reserves, representing an

underspend of £0.358 million against budget. The improved position was a result of ongoing underspends in employee costs (£0.282 million) and increased interest received on the Joint Board's revenue balances of (£0.182 million).

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

- maintaining a medium-term revenue budget strategy, providing the framework within which annual budgets will be set throughout the period covered, including primary assumptions underpinning future budgeting and planned levels of requisitions from the constituent councils. The current strategy covers the period 2026/27 – 2028/29.
- having a reserves strategy in place to manage the use of reserves if the required level of savings cannot be met. The Joint Board acknowledges the impact of the difficult financial climate on its constituent authorities and continues to seek to generate efficiencies in the provision of services and utilise reserves where appropriate.

38. Review of the current medium-term revenue budget strategy and most recent budget monitoring report presented to the Joint Board identified a projected funding shortfall in 2029/30. Based on planned requisitions from the constituent councils and the anticipated use of reserves, available usable reserves are not currently sufficient to fully support forecasted expenditure in that year.

39. The Joint Board's financial plans indicate a continuing reliance on reserves to support service expenditure over the medium-term. Current projections suggest that reserve balances will reduce significantly over the planning period, limiting the Joint Board's capacity to address forecast funding pressures through reserves alone.

40. Management has recognised the projected funding shortfall and has developed financial planning scenarios and options to address the forecast shortfall. Within these planning scenarios, a target minimum reserves level of £0.500 million was set to provide the Joint Board with a degree of flexibility to respond to future financial pressures. The results of this exercise support strategic financial planning and inform the actions required to address the forecast shortfall.

41. Continued monitoring of the financial position and timely implementation of mitigating actions will be required to support the Joint Board's longer-term financial sustainability.

42. Overall, the Joint Board's financial strategy provides assurance over the medium-term financial outlook and therefore the provision of services.

Conclusions on Best Value

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

- the Joint Board having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
- the arrangements the Joint Board has in place to secure financial sustainability which help ensure the effective use of available resources.
- The Joint Board's performance information is accessible to all stakeholders, including service users via South Lanarkshire Council's committee website linked from the Joint Board's website.

Appendix 1

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026

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