

We also confirmed the arrangements for ensuring the reasonableness of the professional estimations and the accuracy of information provided to the actuary by West Lothian Council. For 2023/24, the actuary calculated a pension asset. The actuary applied an asset ceiling as required by accounting standards which resulted in a nil balance being recognised in the annual accounts, which was the same approach as 2022/23.

As part of work, we noted that the unfunded pension liabilities had been included as part of the overall assessment of a nil balance for pensions. Unfunded pension liabilities generally relate to provisions for discretionary enhancements to retirement benefits (e.g. payments for early retirement paid by the body rather than the pension fund). IAS 19 treats them as termination benefits. The unfunded liability should therefore be presented separately from the net defined benefit asset or liability.

West Lothian Council has updated their accounts to present the unfunded liability on the balance sheet as a separate pension liability and restated the prior year for consistency in presentation. Details of the adjustments are at paragraph 26. We reviewed the adjustments made to the accounts for the change in presentation of unfunded pension liabilities. We were content with the presentation of the unfunded liabilities in the accounts and associated narrative information included.

**24.** As part of our risk assessment in our Annual Audit Plan, we also identified the following areas where further work would be performed. These were not audit risks but areas we kept under review:

- **Implementation of IFRS 16 (International Financial Reporting Standard 16, Leases) takes effect for local government bodies from 2024/25-** This will change the way in which West Lothian Council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases. The council will implement IFRS 16 from 1 April 2024.

The council has undertaken work to identify the changes required in relation to its relevant operating leases and has confirmed the amounts that will be required to be included in the 2024/25 account at 1 April 2024. In 2024/25 the values that will be included in the accounts under right of use and lease liabilities are not material. We have reviewed the work carried out by the council and are content with their approach to identification of appropriate leases and how they intend to include the information in the accounts.

- **The statutory override relating to valuation of infrastructure assets-** In 2021/22, across the UK, a technical accounting issue was identified covering infrastructure assets. Two temporary statutory overrides have been permitted since 2021/22 financial year but these were due to end at 31 March 2024.