



Stirling Council

Planning report to the Audit Committee on the 2023/24 audit,
– Issued on 9 August 2024 for the meeting on 29 August 2024

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1.1 Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our planning report to the Audit Committee (“the Committee”) of Stirling Council (“the Council”) for the 2023/24 audit. I would like to draw your attention to the key messages of this paper:

Audit plan

We have updated our understanding of the Council, including discussion with management and review of relevant documentation from across the Council.

Based on these procedures, we have developed this plan in collaboration with the Council to ensure that we provide an effective audit service that meets your expectations and focuses on the most significant areas of importance and risk to the Council.

Key risks

We have taken an initial view as to the significant audit risks the Council faces. These are presented as a summary dashboard on page [13](#).

Wider scope requirements

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks.

In carrying out our risk assessment, we have considered the arrangements in place for each area, building on any findings and conclusions from the 2022/23 audit, planning guidance from Audit Scotland and developments within the organisation during the year. Our wider scope significant risks are presented on pages [20 to 25](#). As part of this work, we will consider the arrangements in place to secure Best Value (BV).

1.2 Introduction (continued)

The key messages in this report (continued)

Regulatory change

Councils can voluntarily adopt IFRS 16, Leases, in 2023/24, with mandatory adoption from 2024/25. This will require adjustments to recognise on balance sheet arrangements currently treated as operating leases. Stirling Council has chosen to adopt IFRS 16 from 2024/25 when it becomes mandatory. Further details are provided on page [17](#).

Our commitment to quality

We are committed to providing the highest quality audit, with input from our market leading specialists, sophisticated data analytics and our wealth of experience.

Added value

Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

We have also shared our recent research, informed perspectives and best practice from our work across the wider public sector on pages [26](#) to [29](#) of this plan.

Pat Kenny
Associate Partner

2 Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

To communicate audit scope

To provide timely and relevant observations

To provide additional information to help you fulfil your broader responsibilities

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.

- At the start of each annual audit cycle, ensure that the scope of the external audit is appropriate.
- Implement a policy on the engagement of the external auditor to supply non-audit services.

Oversight of external audit

Integrity of reporting

Internal controls and risks

Oversight of internal audit

Whistle-blowing and fraud

- Review the internal control and risk management systems (unless expressly addressed by separate risk committee).
- Explain what actions have been, or are being taken to remedy any significant failings or weaknesses.

- Ensure that appropriate arrangements are in place for the proportionate and independent investigation of any concerns raised by staff in connection with improprieties.

- Impact assessment of key judgements and level of management challenge.

- Review of external audit findings, key judgements, level of misstatements.

- Assess the quality of the internal team, their incentives and the need for supplementary skillsets.

- Assess the completeness of disclosures, including consistency with disclosures on business model and strategy and, where requested by the Council, provide advice in respect of the fair, balanced and understandable statement.

- Consider annually whether the scope of the internal audit programme is adequate.

- Monitor and review the effectiveness of the internal audit activities.

3 Our audit explained

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

FRC guidance on good practice

The FRC, in its Review of Governance Reporting, issued November 2023, has identified good practice as including a detailed description of the process for reviewing the effectiveness of risk management and internal control systems and clarity on what the outcome of the review. This would include whether any weaknesses or inefficiencies were identified and explanations of what actions the board has taken, or will take, to remedy these.

Responsibilities of the audit committee

As explained further in the Responsibilities of the Audit Committee slide on page [5](#), the Audit Committee is responsible for:

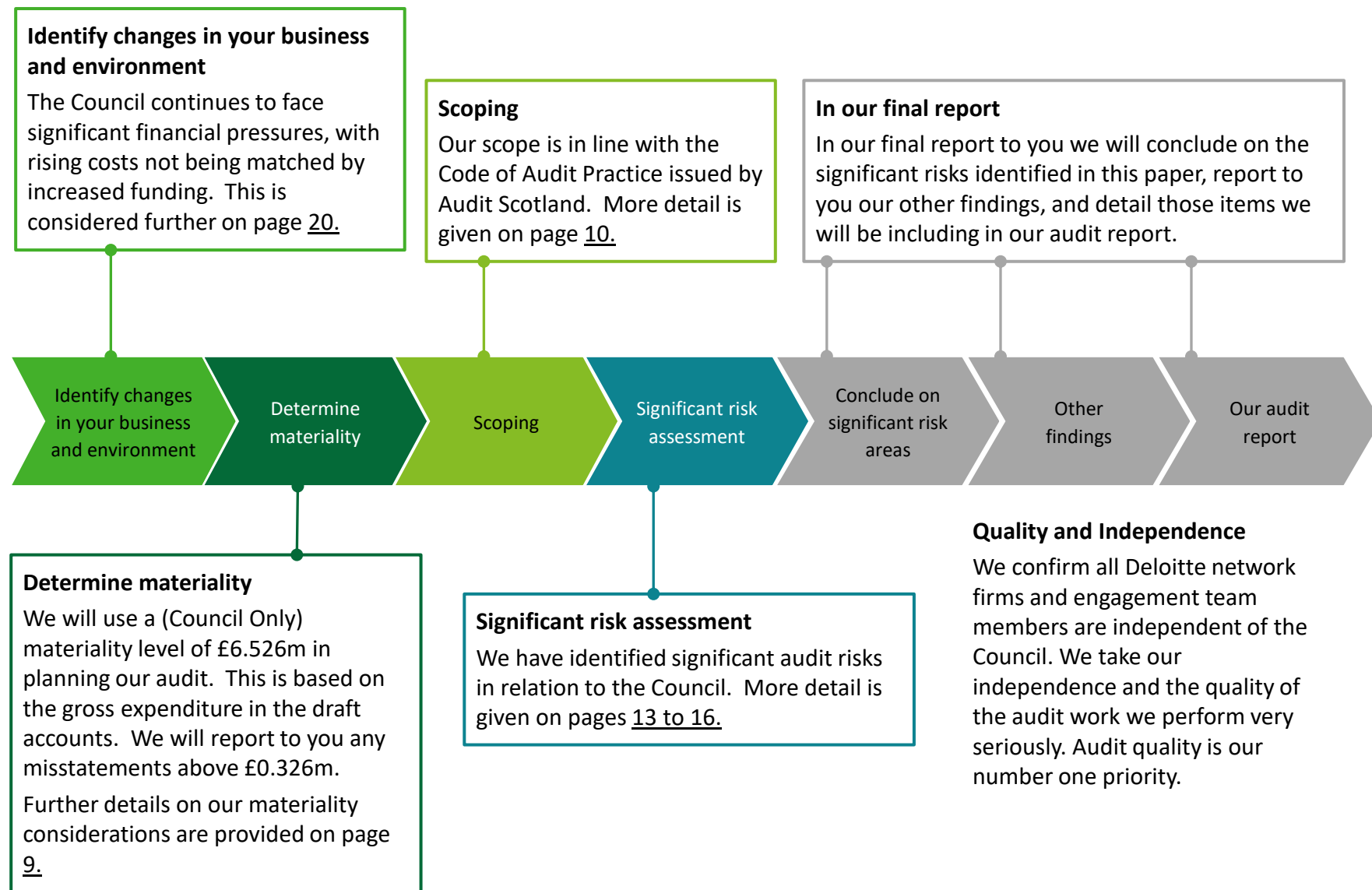
- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee).
- Monitoring and reviewing the effectiveness of the internal audit function; where there isn't one, explaining the absence, how internal assurance is achieved, and how this affects the work of external audit.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been, or are being taken to remedy any significant failings or weaknesses.

Our response

As stakeholders tell us they wish to understand how external audit challenges and responds to the quality of an entity's control environment, we are seeking to enhance how we plan and report on the results of the audit in response. We will be placing increased focus on how the control environment impacts the audit, from our initial risk assessment, to our testing approach and how we report on misstatements and control deficiencies.

4 An audit tailored to you

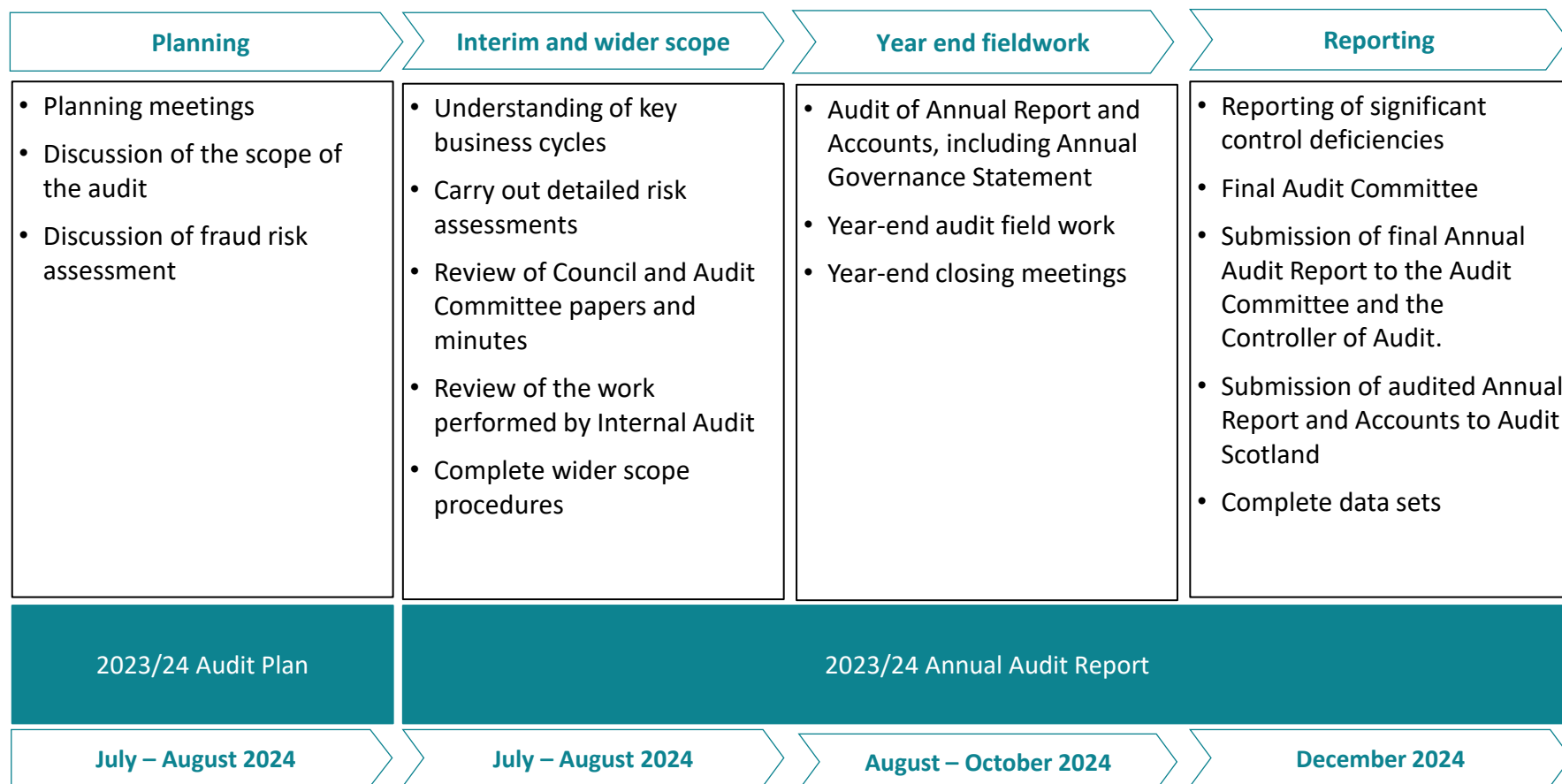
Overview of our audit plan



5 Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



Ongoing communication and feedback

6 Materiality

Our approach to materiality

Basis of our materiality benchmark

- The audit partner has determined group materiality as £6.870m and performance materiality of £4.800m, based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the Annual Report and Accounts.
- We have used 1.5% of gross expenditure as the benchmark for determining materiality and applied 70% as performance materiality. We have judged expenditure to be the most relevant measure for the users of the accounts.
- For the audit of Stirling Council (Council only), a materiality of £6.526m and performance materiality of £4.560m has been determined.

Reporting to those charged with governance

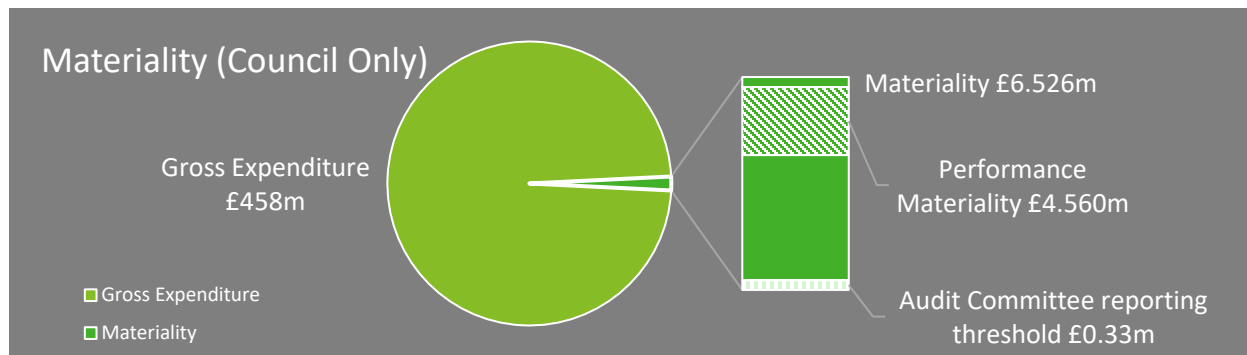
- We will report to you all misstatements found in excess of £0.326m.
- We will report misstatements below this threshold if we consider them to be material by nature.

Our approach to determining the materiality benchmark is consistent with Audit Scotland guidance, which states that the threshold for clearly trivial above which we should accumulate misstatements for reporting and correction to the Audit Committee must not exceed £0.326m.

Our Annual Audit Report

We will:

- Report group and Council only materiality, and the range we use for component materiality.
- Provide comparative data and explain any changes compared to prior year
- Explain any normalised or adjusted benchmarks we use
- Explain the concept of performance materiality and state what percentage of materiality we used for the group and Council audits, with our rationale.



Although materiality is the judgement of the audit partner, the Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

7.1 Scope of work and approach

Our key areas of responsibility under the Code of Audit Practice

Auditors activity	Planned output	Proposed reporting timeline to the Committee	Audit Scotland/ statutory deadline
Audit of Annual Report and Accounts	Annual Audit Plan Independent Auditor's Report Annual Audit Report	29 August 2024 16 January 2025 16 January 2025	31 March 2024 30 September 2024 30 September 2024
Wider-scope areas	Annual Audit Plan Annual Audit Report	29 August 2024 16 January 2025	31 March 2024 30 September 2024
Consider and report on Best Value arrangements	Annual Audit Plan Annual Audit Report Thematic Review – Management Report	29 August 2024 16 January 2025 16 January 2025	31 March 2024 30 September 2024 30 September 2024
Audit of approved claims and returns	Annual Audit Plan Auditor certificate of housing benefit Auditor certificate of non-domestic rates return	29 August 2024 N/A N/A	31 March 2024 31 November 2024 6 October 2024
Provide assurance on specified returns	Annual Audit Plan Assurance Statement on Whole of Government Accounts (WGA) return	29 August 2024 N/A	31 March 2024 TBC

7.2 Scope of work and approach

Our approach

Liaison with internal audit and local counter fraud

The Auditing Standards Board's version of ISA (UK) 610 "Using the work of internal auditors" prohibits use of internal audit to provide "direct assistance" to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and meet with them to discuss their work where necessary. We will discuss the work plan for internal audit, and where they have identified specific material deficiencies in the control environment we consider adjusting our testing so that the audit risk is covered by our work.

Using these discussions to inform our risk assessment, we can work together with internal audit to develop an approach that avoids inefficiencies and overlaps, therefore avoiding any unnecessary duplication of audit requirements on the Council's staff.

Approach to controls testing

Our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D&I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards ("IFRS") disclosure checklists in conjunction with the requirements of the Code to support the Council in preparing high quality drafts of the Annual Report and Accounts, which we would recommend the Council complete during drafting.

Other reporting prescribed by the Accounts Commission

In addition to the opinion on the Annual Report and Accounts, we are also required to provide an opinion on the following:

- Whether the audited part of the Remuneration Report has been properly prepared; and
- Whether the Management Commentary and Annual Governance Statement are consistent with the financial statements and have been properly prepared.

8.1 Your control environment

High-level impact on our approach



Pre-planning knowledge

In the 2022/23 year end audit we identified a material misstatement in relation to property valuations in 2021/22 which resulted in the prior year balances being restated and a control deficiency being identified. We are also aware of the new ERP system which went live in April 2024 following delays from the original date.

In addition, there have also been changes in staff at the Council in senior positions, including the Chief Executive Officer and Section 95 Officer.

We will take consideration of each of these factors in both the main audit and wider scope work, analysing implications and changes to processes as a result.

Impact on our audit approach

Performance materiality: We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the quality of the control environment and the historical error rate. Where we are unable to rely on controls, we may use a lower level of performance materiality. Refer to [page 9](#) for full consideration of how performance materiality has been calculated.

Reliance on controls: We will not be taking a controls reliance approach; however we will be testing the design and implementation of the controls over significant risk areas and key estimates. As noted above, we identified a control deficiency in relation to the review of property valuation entries relating to the 2021/22 year end. This control was subsequently reassessed as part of the 2022/23 audit and will be a key area of audit focus in 2023/24.

8.1 Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Management paper expected	Page no.
Risk 1 – Management override of controls		DI			14
Risk 2 – Property valuations		DI			15
Risk 3 – Capital expenditure		DI			16

Level of management judgement



Limited management judgement



A degree of management judgement



Significant management judgement

Controls approach adopted



Assess design & implementation

8.2 Significant risks

Risk 1 – Management override of controls

Risk identified

In accordance with ISA (UK) 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Annual Report and Accounts as well as the potential to override the Council's controls for specific transactions.

The key judgements in the Annual Report and Accounts are those which we have selected to be the significant audit risks – valuation of the Council's estate and recognition of capital expenditure. These are inherently the areas in which management has the potential to use their judgment to influence the Annual Report and Accounts .

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will consider the overall control environment and 'tone at the top';
 - We will test the design and implementation of controls relating to journals and accounting estimates;
 - We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
 - We will test the appropriateness of journals and adjustments made in the preparation of the Annual Report and Accounts . We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest.
 - We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above.
 - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the entity, or that otherwise appear to be unusual, given our understanding of the entity and its environment.
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8.3 Significant risks (continued)

Risk 2 – Property Valuation

Risk identified	The Council held £718.610m of property assets (council dwellings and land and buildings) at 31 March 2022 which increased to £773.657m as at 31 March 2023, due to upwards revaluations as a result of the Council undertaking a mixture of full valuations and desktop valuations for assets not fully revalued in the year. In 2023/24 the Council plan to carry out a combination of asset valuations as part of the 5-year rolling programme and a desktop valuation on the remaining assets. The Council is revaluing its housing stock in 2023/24 and has engaged an external valuation specialist for this exercise. This is a complex valuation exercise given the judgements involved and we consider this to be an area with an increased likelihood of error. The Council is required to hold property assets within Property, Plant and Equipment at existing use value provided that an active market for the asset exists. Where there is no active market, because of the specialist nature of the asset, a depreciated replacement cost approach may be needed which provides the current cost of replacing an asset with its modern equivalent asset. The valuations are by nature significant estimates which are based on specialist and management assumptions, and which can be subject to material changes in value.
Our response	• We will test the design and implementation of key controls in place around the property valuation. • We have engaged early with the Council, using our valuation specialists to challenge the assumptions applied by management in the valuations. • We will test the inputs to the valuation and the key asset information provided by the Council to the valuer back to supporting documentation. • We will challenge management's assessment for material changes in value for those property assets not subject to a full valuation during the year.

8.4 Significant risks (continued)

Risk 3 – Capital Expenditure

Risk identified	The Council has a significant capital programme and has budgeted £36.884m for capital works during 2023/24 (2022/23: £37.190m). Key projects include investment in the education estate, roads infrastructure improvements and expenditure associated with the Active Travel project as part of the City Region Deal. Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised. The Council has a significant assets under construction balance for current ongoing capital projects (£17.050m as at 31 March 2023). The timing in which projects are completed and assets are brought into use directly impacts the level of depreciation incurred by the Council and as such is an area that we judge could be open to management override
Our response	• We will review the Council's capital plans as part of the planning process and discuss with management potential risks or issues identified. • We have requested management prepare accounting papers in respect of any areas of judgement in the application of accounting standards to determine whether costs should be capitalised, in particular in respect of the additions, disposal, depreciation, revaluation and impairment of fixed assets. • We will test the design and implementation of controls around the capitalisation of costs and test spending on a sample basis to confirm that it complies with relevant accounting requirements. • We will test the design and implementation of controls around the transfer of assets out of assets under construction and into use and test completed projects on a sample basis to ensure depreciation is charged from the correct date. • We will evaluate completeness of disposals or impairments of existing assets on completion of the above key projects. We will challenge any significant judgements made by management in regards to these projects, for example the capitalisation of staff costs and other project development costs, to ensure they comply with relevant accounting requirements.

9.1 Other areas of audit focus

We have identified the below areas of audit interest, although do not consider these to be significant risks

Risk identified	IFRS 16
Summary	IFRS 16 is effective for local government bodies from 1 April 2024, but can be voluntarily adopted from 2023/24. The introduction of IFRS 16 will have a significant impact on the balance sheet and on recorded capital expenditure for the Council. Stirling Council has elected to adopt IFRS 16 from 2024/25 when it becomes mandatory. The Council will be required to disclose the future impact of IFRS 16 in the 2023/24 accounts, as well as its decision not to adopt the standard from 1 April 2023. We recommend that an accounting paper is presented to the Audit Committee on the transition for review and approval as part of the Council's governance over financial reporting.
Deloitte response	We will request from management an accounting paper on the implementation of IFRS 16 (including the controls in place over reporting under the standard, and any additional judgements identified in transition and in-year application).

Risk identified	Expenditure recognition
Summary	In accordance with Practice Note 10 (Audit of Annual Accounts of public sector bodies in the United Kingdom), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.
Deloitte response	We have considered this risk for the Council, and based on procedures performed in 2022/23, there is no history of errors or audit adjustments. This has therefore not been assessed as a significant risk area but will continue to be an area of audit focus in line with Practice Note 10. We will consider this further as part of our detailed risk assessment.

9.2 Other areas of audit focus (continued)

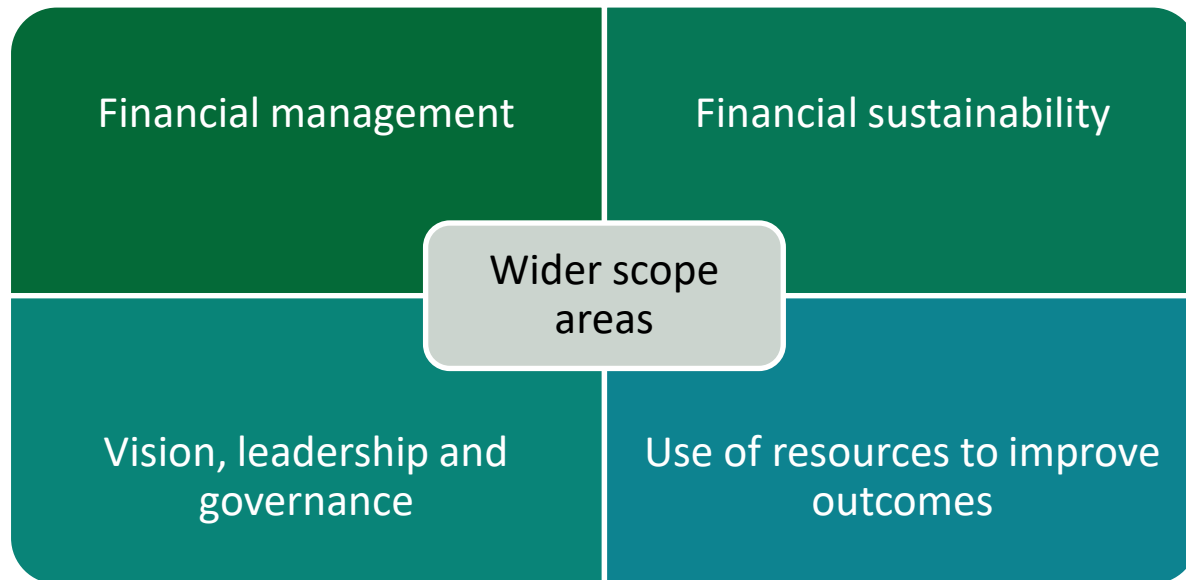
We have identified the below areas of audit interest, although do not consider these to be significant risks (continued)

Risk identified	Pension Liability
Summary	The Council participates in two defined benefits schemes: • Scottish Teachers' Superannuation Scheme, administered by the Scottish Government; and • The Falkirk Pension Fund, administered by Falkirk Council. The net pension liability decreased from £204.887m in 2021/22 to an asset of £10.446m in 2022/23. The movement was a combination of an increase in the fair value of the assets and a decrease in the liabilities as a result of demographic changes and financial assumptions. The liability also continues to be affected by the McCloud and Goodwin legal cases. Hymans Robertson LLP are the Council's appointed actuary, who produce a detailed report outlining the estimated liability at the year-end along with the associated disclosure requirements. The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. The valuations are prepared by a reputable actuary using standard methodologies and no significant changes in the membership of the scheme or accrued benefits are expected in the current year. As a result, we have not identified this as a significant risk.
Deloitte response	We will perform the following procedures to address the risk: • Assess the independence and expertise of the actuary supporting the basis of reliance upon their work; • review and challenge the assumptions made by Hymans Robertson LLP; • Obtain assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary; • Assess the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund annual accounts; • Review and challenge the calculation of the impact of the McCloud and Goodwin cases on pension liabilities; and • Review the disclosures within the accounts against the Code.

10.1 Wider scope requirements

Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In local government, public audit includes the audit of arrangements for, and performance of, the audited body's duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertake this duty in a way that is proportionate to the size and type of body. Our work on the wider-scope areas, discussed on [pages 19 to 25](#) will contribute to our consideration of how the council demonstrates that it is meeting its Best Value responsibilities.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the significant risks and our planned response on the following pages.

10.2 Wider scope requirements (continued)

Significant risks

Area	Significant risks identified	Planned audit response
Financial management	There is an ongoing risk with the finance team capacity, in particular as a result of the new ERP system which went live in April 2024. From our planning work and understanding from the prior year audit, we have, however, not identified any significant risks in relation to financial management.	We will continue to review the financial management arrangements in place, including the capacity of the finance team.
Financial sustainability	While the Council has historically achieved financial balance, there remains a potential risk that robust medium to long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively. This is based on a number of factors, including: • The 2024/25 budget is projecting a £16.328m budget gap with the assumptions that £7.379m mitigations can be delivered. • Pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income, resulting in a net budget gap in 2024/25 of £23.707m before agreeing savings options. • Indicative gaps of £25.452m and £33.258m identified for 2025/26 and 2026/27 respectively.	We will assess the development of the 2024/25 budget and the impact on the medium and longer term financial outlook. We will also review the updated medium term financial plan and associated savings plans when prepared to assess whether there are robust plans in place to reduce the funding gap. This will include consideration of the progress with the Council's transformation plans set out within its 10-year strategy "Thriving Stirling". We will assess how the Council is responding to workforce challenges in line with the Best Value thematic review.

10.3 Wider scope requirements (continued)

Significant risks (continued)

Area	Significant risks identified	Planned audit response
Vision, leadership and governance	In 2022/23, we concluded that the Council had appropriate governance arrangements in place and that there was effective scrutiny. Challenge and informed decision making. Following the local government elections in May 2022, the new Council administration agreed its 10 strategic priorities in December 2022. These set out the overarching principles which will guide the Council's future decision making over the coming years. There is a risk that robust plans are not in place underling these priorities to ensure they are delivered.	We will review the work of the Council to assess whether the governance arrangements are operating effectively, including assessing whether there is effective scrutiny, challenge and informed decision making.
Use of resources to improve outcomes	In 2022/23, we concluded that the Council had an appropriate and effective best value framework in place. Given the financial challenges faced by the Council and the changes in priorities noted above, there is a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement.	We will review the performance reports presented at the Council to assess the extent to which they demonstrate a focus on continuous improvement, as discussed further on page 22 . This will incorporate consideration of the effectiveness and appropriateness for preparing and publishing the Statutory Performance Information considered further on page 23 .

10.5 Wider scope requirements (continued)

Other requirements

Under the new Code of Audit Practice, the **audit of Best Value** in councils is fully integrated within the annual audit work. We are required to evaluate and report on the performance of councils in meeting their Best Value duties. There are four aspects to our work:

Considering Best Value (BV) arrangements	Reporting requirements
1. <i>Follow-up and risk based work</i> – following up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports (BVAR) and Annual Audit Reports.	We will report our judgement on the pace and depth of improvement in our Annual Audit Report. We have included the significant risks identified on pages 20 & 21 , and will report our conclusions in our Annual Audit Report.
2. <i>Service improvement and reporting</i> – Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities.	We will assess annually how effectively the Council demonstrates this improvement and report in the Annual Audit Report for 2023/24. We will also report in the Annual Audit Report a summary of the information the Council reports publicly on its service performance, drawing upon the information that the Council is required to report on by the Accounts Commission's Statutory Performance Information Direction. This takes forward the service assessments previously reported in the BVAR on the Council.
3. <i>Thematic reviews</i> – we are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2023/24 requires us to carry out review of workforce innovation.	We will report our conclusions in a separate management report on this work, using a template provided by Audit Scotland. This will be reported to those charged with governance in the Council prior to the conclusion of the 2023/24 audit. A summary of the findings and conclusions will be reported in our Annual Audit Report.

10.6 Wider scope requirements (continued)

Other requirements (continued)

Considering Best Value (BV) arrangements (continued)	Reporting requirements
4. Contributing to Controller of Audit reports – The Controller of Audit will report to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year appointments.	The report will be prepared by for the Controller by Performance Audit and Best Value (PABV) staff and will be a summary of information and judgements reported by each auditor. The latest Annual Report will be presented to the Commission with the Controller's report.

Councils' Statutory Performance Information	Reporting requirements
The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibilities, under their Best Value duty, to report performance to the public. The Accounts Commission issued a new Statutory Performance Information Direction in December 2021 which applies for the three years from 2022/23.	We have a statutory responsibility to satisfy ourselves that the Council has made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction. We will conclude in our Annual Audit Report on: • the effectiveness and appropriateness of the arrangements in place for complying with the Direction, including the balance and timeliness of reporting to members along with its accessibility for citizens and communities; and • The progress on implementing previous recommendations and any recommendations for further improvement in the arrangements.

10.7 Wider scope requirements (continued)

Other requirements (continued)

Area	Requirements
Shared Risk Assessment and Joint Scrutiny Planning	The Shared Risk Assessment (SRA) process is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at Councils. Each council area has a Local Area Network (LAN) which comprises representatives from the main local government scrutiny bodies. As the appointed auditor, we are the LAN leads and are required to: • Engage with LAN members in other agencies to collect information on performance and scrutiny risks to inform risk assessment discussions • Work with other scrutiny bodies to facilitate engagement with the council and between each member • Discuss planned scrutiny with the council • Advise the Operational Scrutiny Group of any planned scrutiny activity
National Fraud Initiative	The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. All councils are participating in the 2024/25 NFI exercise. We will monitor progress throughout the audit.
Sectoral annual reports	The Accounts Commission has in previous years published two reports covering the local government sector. We will be required to complete a brief dataset containing some important information to assist in preparation of these reports.

10.8 Wider scope requirements (continued)

Other requirements (continued)

Area	Requirements
Anti-money laundering	We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances will be advised to Audit Scotland.
Fraud returns	We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies: • Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control • Over £5,000.
Whole of Government Accounts	We are required to provide assurance on Whole of Government Accounts (WGA) returns prepared by local government bodies where these are over a prescribed threshold.
Certification of grant claims and returns	We are required to provide certificates on specified grant claims and similar returns prepared by a audited bodies as part of the audit appointment, where they have been approved by Audit Scotland. The two approved claims/returns for 2023/24 relate to housing benefit subsidy and non-domestic rates. As a change in principle from previous years, no other grant claims or similar returns may be certified in 2023/24 under the audit appointment. However, we may be permitted to undertake this work as a non-audit service rather than as core annual audit activity.

11.1 Reporting hot topics

Ongoing macro-economic uncertainty

Reporting in times of uncertainty

Businesses face unprecedented uncertainty from a variety of sources, including stresses arising from energy supply and costs, inflation, foreign exchange volatility, commodity availability and pricing, global supply chain disruption, labour shortages and the impacts of climate change. Many of these issues are exacerbated by the ongoing conflict between Russia and Ukraine.

High-quality, transparent reporting that clearly explains the impact of these uncertainties on the Council's financial position, performance and cash flows, as well as the Council's response to these risks, remains as important as ever.



Impact of ongoing macro-economic uncertainty – Considerations

The current macro-economic uncertainty and the resulting challenges have a pervasive impact on the financial statements and need to be considered comprehensively across all account balances and disclosures, in particular those involving estimation or judgement.

Sources of uncertainty likely to impact Council's operations and corporate reporting include:

- **High energy costs and risk of energy shortages**
- **Rising interest rates**
- **Rising levels of inflation**
- **Supply chain disruptions**
- **Continued pressures on labour supply and wages**



Impact of ongoing macro-economic uncertainty – Action

We expect all Council's to have undertaken a comprehensive, evidence-based assessment of the risks relating to macroeconomic conditions including for example, higher energy costs, supply chain disruption, rising levels of inflation, commodity availability and labour shortages. Consideration should be given to how those risks affect both the operations of the Council and the impact on the annual report and financial statements as a whole.

We expect Councils to have considered the pressures throughout the value chain(s) in which they operate, including an assessment of the risks relating to suppliers and operations.

11.2 Reporting hot topics (continued)

Climate related risks

Deloitte view

The expectations of corporate reporting are increasing. While the focus is primarily on corporates, we highlight these areas where improved disclosures would help meet stakeholder expectations.



Accounting for and reporting of climate-related risks – Considerations

Stakeholder expectations

Stakeholders are clear that climate-related risks could be material to businesses in all sectors. In particular, stakeholders ask for clear, specific and quantified information that describes:

- how the impacts of physical and transition risks have been considered in preparing the financial statements;
- what climate-related assumptions and estimates were used to prepare the financial statements; and
- whether narrative reporting on climate risks and the accounting assumptions are consistent, or an explanation for any divergence.

Climate thematic reports

In July 2022, the [FCA](#) and [FRC](#) published **thematic reviews of TCFD disclosures and climate-related impacts** reported in premium listed entities' financial statements. This follows up on the FRC's [2020 thematic review](#) of climate-related considerations.

The five key areas for improvements in climate-change reporting highlighted in the FRC's thematic review remain relevant:

- Giving more **granular and company specific information** about the effects of climate change on different businesses, sectors and geographies.
- Ensuring that the discussion of climate-related risks and opportunities is **balanced**.
- **Linking climate-related disclosures**, such as the output of climate-related scenario analysis, with other relevant narrative disclosures in the annual report, such as the business model or strategy.
- Explaining how **materiality** has been applied in deciding which climate-related information should be disclosed.
- Ensuring **connectivity between TCFD disclosures and the financial statements** to help investors understand the relationship between climate-related matters and judgements and estimates applied in the financial statements – for example, explaining clearly how different climate-related scenarios and the companies' own net zero commitments have been reflected in the financial statements.

The FRC report also includes disclosure examples and detailed expectations and can be found on the FRC's website [here](#).

11.3 Reporting hot topics (continued)

Climate related risks



Accounting for and reporting of climate-related risks - Action

Governance

The impacts of climate change are a strategic issue that should be on the Council's agenda and integrated into decision making. We expect entities to have:

- Reviewed their governance, processes and controls for identifying, and responding to, climate-related issues;
- Completed a robust climate assessment including all physical and transition risks;
- Assessed the climate change assumptions used in judgements and estimates in the financial statements;
- Evaluated the appropriateness and consistency of information in the financial statements and narrative disclosures; and
- Prepared a management paper setting out management's climate risk assessment and consideration of the impacts of climate change on the financial statements.

Financial statements

Regarding financial statement disclosures, we expect entities to consider the transparency of information about the climate-related judgements and assumptions. Information should be entity-specific and avoid boilerplate explanations.

The financial statements should clearly disclose:

- what climate-related assumptions have been used in preparing the financial statements;
- how significant climate risks or net zero transition targets have been taken into account in preparing the financial statements;
- which climate-related scenarios have been considered in sensitivity analysis of climate-related assumptions and how they affect judgements and estimates in the financial statements.

For LG bodies, the most common area affected is assumptions around property valuations, particularly Modern Equivalent Asset assumptions, but this may impact other balances.

Narrative reporting

We expect the narrative accompanying the financial statements to include the following:

- An explanation of how climate is assessed as a strategic issue.
- Clarity of whether climate change represents a principal or emerging risk and how it is being managed.
- For climate-related targets and metrics, an explanation of how those targets and metrics fit into strategic targets/approach.

11.4 Reporting hot topics (continued)

Cyber risk

Area	Management actions	Impact on the financial statements and annual report	Impact on our audit
Cyber risk	The Council has invested in advanced cyber security hardware and software. In addition they have carried out a Cyber security audit with BT.	Cyber risk is an increasing area of auditor focus. We recommend considering whether any additional disclosure or explanations are appropriate, including discussion of principal risks and uncertainties, or in the Annual Governance Statement. The AGS requires disclosure of how risks to data security are managed and controlled, as well as of any serious information governance incidents.	We will obtain an understanding the Council and its internal controls in relation to cyber as part of our understanding of the Council's IT environment. We will make specific enquiries to identify whether a cyber breach has occurred during the period, and evaluate the impact of any cyber incidents, including any potential liabilities arising or impacts on compliance with laws or regulation. We will review the disclosures made for consistency with our understanding from our audit work.

12.1 Audit quality

Our commitment to audit quality



Our objective is to deliver a distinctive, quality audit to you. Every member of the engagement team will contribute, to achieve the highest standard of professional excellence.

In particular, for your audit, we consider that the following steps will contribute to the overall quality:

We will apply professional scepticism on material issues and significant judgements by using our expertise in the sector and elsewhere to provide robust challenge to management.

We will obtain a deep understanding of your business, its environment and of your processes in income and expenditure recognition, and capital expenditure enabling us to develop a risk-focused approach tailored to the Council.

Our engagement team is selected to ensure that we have the right subject matter expertise and industry knowledge. We will involve property specialists to support the audit team in our work on the valuation of property assets, IT specialists to support the audit team in our understanding of IT controls, pension specialists to support the audit team in our work on the pension liability.

In order to deliver a quality audit to you, each member of the core audit team has received tailored learning to develop their expertise in audit skills, delivered by Pat Kenny (Associate Partner).



Engagement Quality Review

We have developed a tailored Engagement Quality Control approach.

We have developed a tailored Engagement Quality Control approach. Our dedicated Professional Standards Review (PSR) function will provide a 'hot' review before any audit or other opinion is signed. PSR is operationally independent of the audit team and supports our high standards of professional scepticism and audit quality by providing a rigorous independent challenge.

12.2 Audit quality (continued)

FRC 2022/23 Audit Quality Inspection and Supervision report

Audit quality is at the heart of everything we do. We are committed to acting with the highest levels of integrity in the public interest to deliver confidence and trust in business.

In July 2023, the Financial Reporting Council (“FRC”) issued individual reports on each of the seven largest firms, including Deloitte on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2022/23 cycle of reviews.

We greatly value the FRC reviews of our audit engagements and firm wide quality control systems, a key aspect of evaluating our audit quality.

In that context, our inspection results for our audits selected by the FRC as part of the 2022/23 inspection cycle remain consistent year-on-year, with 82% of all inspections in the cycle assessed as good or needing limited improvement. This reflects the ongoing investment we continue to make in audit quality, with a relentless focus on continuous improvement. Our audit culture and the audit quality environment we create are critical to our resilience and reputation as a business and we remain committed to our role in protecting the public interest and creating pride in our profession.

We value the observations raised by both the FRC AQR and Supervision teams, both in identifying areas for improvement and also the increasing focus on sharing good practice to drive further and continuous improvement.

We are pleased to see the positive impact of actions taken over the last 12-18 months to address findings raised by the FRC in the prior year relating to EQCR, Independence & Ethics and Group Audits, with none of these areas identified as key findings in this year’s engagement inspection cycle. The reduction in findings in this area reflects the ongoing effectiveness of the actions taken, particularly the successful rollout of our group audit coaching programme. Our EQCR transformation programme, which commenced in the second half of 2021, has served to further enhance the effectiveness of our EQCR process and led to improved evidence on our audit files demonstrating the EQCR challenge.

We welcome the breadth and depth of good practice points raised by the FRC, particularly in respect of effective group oversight and effective procedures for impairments, where we have made sustained efforts and investment to drive consistency and high-quality execution.

All the AQR public reports are available on the FRC’s website:

[Audit Firm Specific Reports - Tier 1 audit firms](#) | [Financial Reporting Council \(frc.org.uk\)](#)

13.3 Audit quality (continued)

Our commitment to audit quality and our system of quality management

Audit quality is at the heart of everything we do and our system of quality management (SQM) supports our execution of quality audits.

The FRC recently promulgated ISQM (UK) 1, a standard that sets out a firm's responsibilities to design, implement and operate a system of quality management for audits, reviews of financial statements, and other assurance or related services engagements.

Led by senior UK leadership, Deloitte UK's ISQM (UK) 1 implementation activities reached successful completion on 15 December 2022.

Deloitte UK performed its first annual evaluation of its system of quality management as of 31 May 2023.

This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2023.

For further details surrounding the conclusion on the operational effectiveness of the firm's SQM, including results of the monitoring activities performed, please refer to the disclosures within Appendix 5 of our publicly available [transparency report](#).



13 Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the Annual Report and Accounts audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

Use of this report

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

We welcome the opportunity to discuss our report with you and receive your feedback.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.



Pat Kenny

for and on behalf of Deloitte LLP

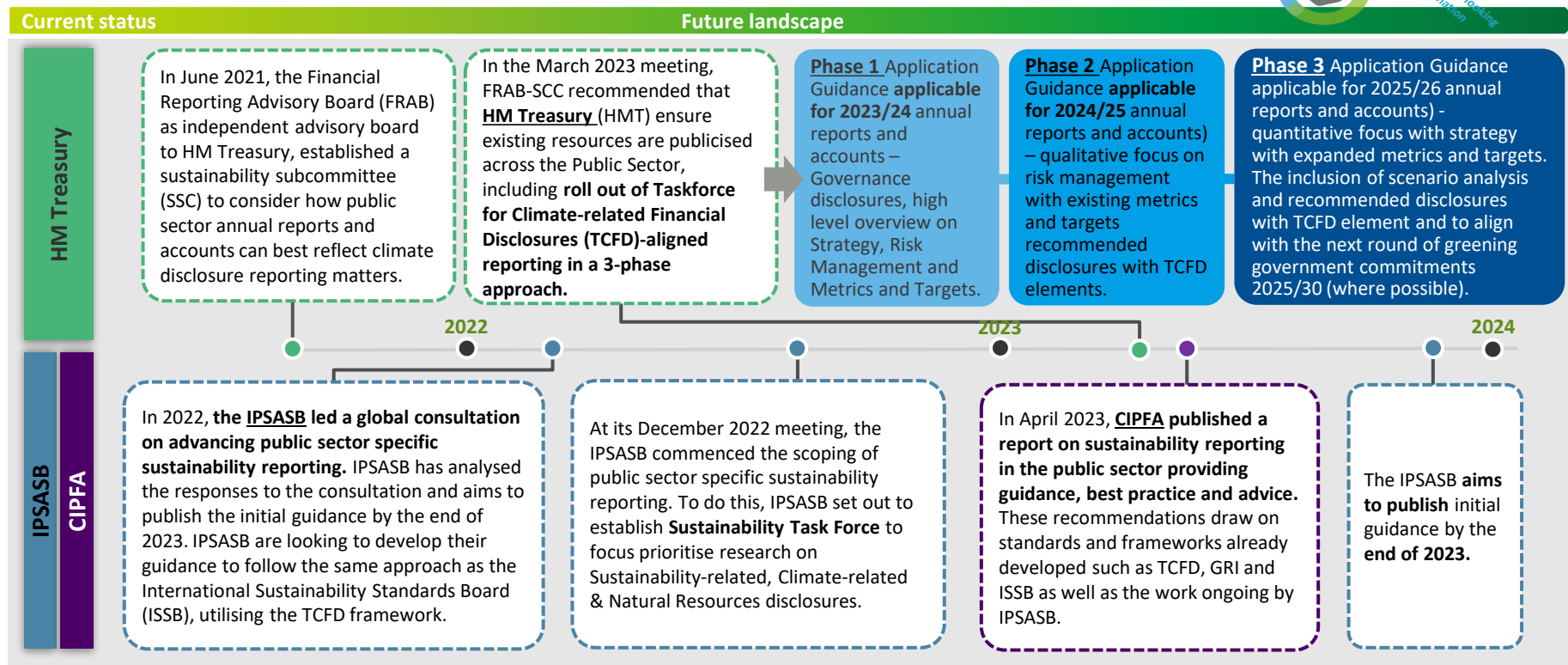
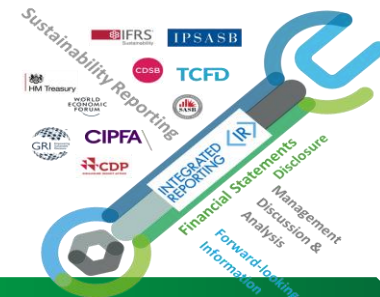
Glasgow | 9 August 2024

Technical and sector developments



15.1 Climate and Sustainability reporting landscape in the Public Sector

Currently, there are a number of reporting frameworks that are being adopted by the public sector. However the climate and sustainability reporting landscape is changing and with change comes challenge and complexity. A summary of the **current status** of the reporting landscape in the public sector, and the likely **future** of reporting against sustainability and climate-related matters, including the challenges and next steps to consider, is noted below.



What next?

- It is likely that the TCFD framework will be the first sustainability reporting standard implemented for the public sector, notably for Central Government.
- Other relevant bodies (E.g. CIPFA and Department of Health & Social Care) to set their own reporting requirements for their respective sectors.
- Expect further clarity later this year when the IPSASB guidance is published.

What about assurance?

In its March 2023 meeting, FRAB recognised the complexity of introducing formal assurance requirements, with plans to implement this only under early consideration by the National Audit Office (similar in the private sector). We recommend that public sector bodies develop a plan to meet the expected reporting requirements and consider what oversight and assurance will be required ahead of year-end.

Next steps

Based on the experiences of existing TCFD reporters, implementation of sustainability reporting frameworks and standards is known to be challenging and early planning is essential to help meet expected reporting requirements. Some key considerations in anticipation of increased focus for the public sector include:

- Granularity** – The need for more detail, specificity and granularity was a key theme from the regulator this year. Going beyond the headline of each recommended disclosure is now common practice.
- Connectivity** – Within and between the narrative and financial statement disclosures. In the example of TCFD disclosures, significant focus has been placed on financial quantification of climate impacts and ensuring front and back half disclosures are consistent with each other.
- Access to data** – All sustainability and climate reporting will require additional data, both in terms of quantity and crucially, quality of what is collected and reported. Currently some data may not be readily available or complete, and/or require challenge and oversight to obtain, measure and report.

15.2 FRC's corporate reporting highlights

Findings of FRC monitoring work

The FRC's [Annual Review of Corporate Reporting 2022/23](#) provides detail on the areas that gave rise to the highest number of queries during the Corporate Reporting Review (CRR) team's monitoring work. The Highlight section summarises the top 10 issues and included below are those issues with most relevance to Local Government

Area	Companies should ensure that...
Impairment of assets	...key inputs and assumptions applied in impairment testing have been disclosed and explained, including the relevant values and sensitivity analysis, where required. Additional disclosures are required where headroom is low, and heightened uncertainties over inflation, consumer demand and interest rates may drive a wider range of reasonably possible outcomes for future cashflows and discount rates. Users should be able to understand how assumptions are consistent with discussion of uncertainties elsewhere in the report. ...impairment testing methodology complies with IFRS, particularly that the grouping of assets into cash generating units (CGUs) is appropriate, the treatment of inflation in the discount rate and cashflows is consistent; and cashflows in 'value in use' calculations reflect the current condition of assets, before any future enhancement expenditure.
Judgements and estimates	...all significant judgements, including those applied in performing the going concern assessment, have been described. It is not sufficient to list the matters requiring judgement. ...disclosures about estimates include values, sensitivities and explain significant changes. Sources of estimation uncertainty with a significant risk of resulting in a material adjustment within one year should be clearly distinguished from other estimates. ...disclosures are reassessed every year to confirm all relevant matters are captured, immaterial issues are not rolled forward and the assumptions and ranges of reasonably possible outcomes remain appropriate in the company's current circumstances.
Cash flow statements	...a robust pre-issuance review has been performed. We found fewer 'routine' errors this year but continue to identify many issues from basic consistency checks, comparing the cash flow statement to other information in the financial statements. Other common errors we find through our desktop reviews relate to classification, netting, and reporting non-cash movements in the cash flow statement.

15.3 FRC's corporate reporting highlights (continued)

Findings of FRC monitoring work

Area	Companies should ensure that...
Strategic Report	...the strategic report provides a fair, balanced and comprehensive review of the company's development, position, performance and future prospects. This should include unbiased discussion of positive and negative aspects of performance, a clear articulation of the effects of economic uncertainty on the business, and should address significant movements in the financial statements, including those in the cash flow and balance sheet
Financial instruments	...material risks arising from financial instruments are adequately disclosed, along with how these are managed. In particular, this includes risks driven by inflation and rising interest rates, and related hedging arrangements. ...information about banking covenants is provided unless the likelihood of any breach is considered remote.
Revenue	...accounting policies are provided for all significant revenue streams and describe the methodology applied, including the timing of revenue recognition, the basis for recognising any revenue over time, and any significant judgements made in applying those policies. ...they describe inflationary features in customer contracts and the corresponding accounting treatment.
Provisions and contingencies	...they provide clear and specific descriptions of the relevant exposure, including the basis for determining the best estimate of the relevant outflow, and the timeframe over which it is expected to crystallise. ...the calculation and presentation comply with IFRS. Provisions should not be presented net of any reimbursement asset and a consistent approach should be taken in reflecting the effects of inflation in cash flows and discount rates.
Presentation of financial statements	...company-specific information about material accounting policies and transactions is disclosed. It is important that these explain how the policies apply to the company's particular circumstances. ...the financial statements are carefully reviewed. Common issues we found this year included errors in the classification of intercompany receivables balances between current and non-current, and failure to disclose material impairments of receivables on the face of the income statement.
Fair value measurement	...fair value measurements use market participants' assumptions, and provide high quality disclosures. We find most issues in the disclosure of recurring Level 3 measurements, for which the significant unobservable inputs should be quantified and a sensitivity analysis given. Companies should consider the need for specialist third party advice where no internal expertise.

15.1 Sector developments

The State of the State report 2022/23 – From the pandemic to a cost of living crisis

Background and overview

The 11th edition of Deloitte and Reform's report on the UK public sector was launched in November 2022. Since 2012, we have aimed to create an annual snapshot of what's happening across government and public services to serve as an evidence base for informed discussion.

This year's State of the State finds public attitudes deeply affected by the cost of living crisis, pessimistic for the future and passionate about climate change.

After years of reacting to crises, the latest State of the State report finds officials across the public sector eager for reform and calling for bold decisions about the future of government and public services.

Some key messages:

- The public are split on the right balance between taxes, borrowing and public spending;
- The public's message to government: deal with the crises, but don't neglect net zero;
- Our survey data found that the Scottish and Welsh Governments, as well as the NHS, are among the most trusted parts of the public sector but trust has slipped overall;
- Public sector leaders are eager for reform and calling for bold decisions about the future of government and public services.



Next steps

The full report is available at [The State of the State 2022/23 \(deloitte.com\)](https://www.deloitte.com/uk/state-of-the-state)

15.2 Sector developments

Audit Scotland: Local Government Budgets 2024/25

Background and overview

Scotland's councils are facing a significant gap in the money needed to deliver local services and the money they have available. This means councils will have to make increasingly difficult decisions about how councils are run, how they can deliver services and what services can continue.

Key Messages:

- In real terms, the 2024/25 Scottish Budget allocation of total revenue funding to local government has increased by 5.7 percent, however funding remains constrained as most of the increase is directed funding to deliver Scottish Government priorities and agreed pay deals.
- At the time of setting budgets, councils identified a difference of at least £585 million between their anticipated expenditure and the funding and income they expect to receive (the 'budget gap') for 2024/25, representing an estimated 3.5 per cent of councils' total revenue budget.
- Councils have had to make difficult budget setting decisions for 2024/25, and most worked with their communities to inform or consult on the challenges faced.
- Budget setting processes vary across councils, partly reflecting differences in organisational structures and local priorities.

Next steps

The full report is available at [Local Government Budgets 2024/25 \(Audit Scotland\)](#)

Briefing

Local government budgets 2024/25



15.3 Sector developments

Audit Scotland: Delivering for the future – why leadership matters

Background and overview

Each year the Commission selects a particular thematic area of Best Value to focus on, recognising the risks and challenges councils face. The theme this year is the 'Leadership of the development of new strategic priorities'.

The Commission reported that councils are operating in a complex and increasingly volatile environment, which requires strong leadership from councils to make difficult decisions about where and how to spend highly pressured resources.

Next steps

The full report is available at [Delivering for the Future \(Audit Scotland\)](#)



15.4 Sector developments

Audit Scotland: The important role of a CFO

Background and overview

As the challenges across the public sector intensify, the role of CFOs is increasingly in the spotlight. As CIPFA highlight, with existing frameworks on governance and decision-making being pushed to their limits, with public services becoming more complex, the CFO is expected to take an active leadership role, not just within the finance function, but across their organisation, sector and public services as a whole.

When budgets tighten, Audit Scotland highlight that often corporate, or 'back office' functions face the hit, to avoid immediately impacting front line services. Against this background, it is important that in the pursuit of back-office efficiencies, the effectiveness of the financial function is not put at risk.

This is an area of interest for Audit Scotland, and in this report it is outlined that they will be taking an interest in auditor conclusions on the resourcing of the finance function as part of their consideration of the 2023/24 annual accounts.



Next steps

The full report is available at [The Important Role of a CFO \(Audit Scotland\)](#)

15.5 Sector developments

Audit Scotland: Integration Joint Boards' Finance and performance 2024

Background and overview

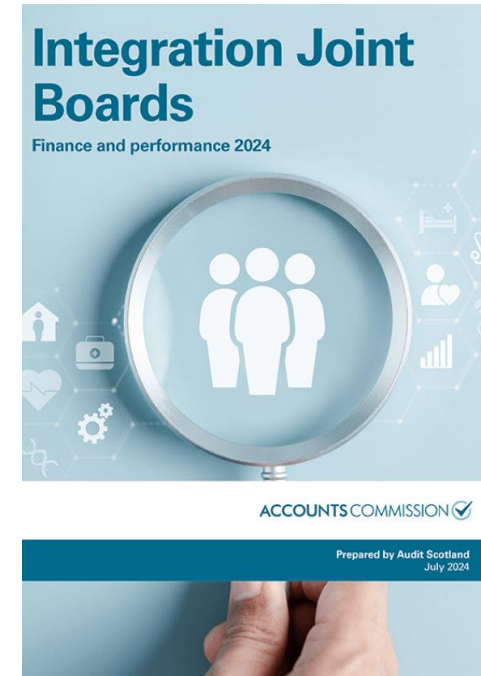
Audit Scotland highlight that community health and social care faces unprecedented pressures and financial uncertainty. The report outlines that community health and social care faces rising unmet need and managing the crisis is taking priority over prevention due to the multiple pressures facing the bodies providing these services.

Key messages:

- Audit Scotland have not seen significant evidence of the shift in the balance of care from hospitals to the community intended by the creation of IJBs.
- IJBs operate within complex governance systems that can make planning and decision making difficult, and cannot address the issues across the sector alone.
- The workforce is under immense pressure reflecting the wider pressures in the health and social care system.
- Data quality and availability is insufficient to fully assess the performance of IJBs and inform how to improve outcomes for people who use services with a lack also of joined up data sharing.
- Current commissioning and procurement practices are driven largely by budgets, competition, and cost rather than outcomes for people.

Next steps

The full report is available at [Integration Joint Boards \(Audit Scotland\)](#)



15.6 Sector developments

How collaborative leadership can create solutions to big global issues on government's future frontiers

Background and overview

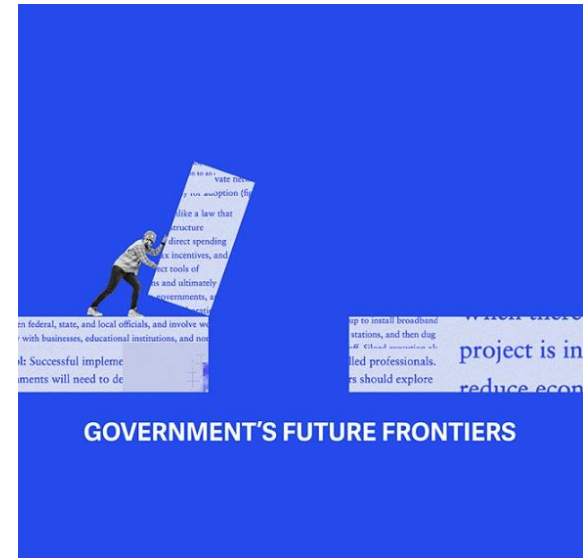
Infrastructure. Security. Health. Technology. The on-the-ground realities of homelessness. The infinite possibilities of space.

These are all big issues, bigger than any one organization can handle alone. Truly tackling the problems and opportunities inherent in these pressing societal concerns could take a concerted effort from all walks of society: Public agencies and private companies, nonprofits and academics, multinational foundations and community activists. But no matter what teams are assembled, government is expected to play a key role in constructing the scaffolding on which solutions are built.

In this publication, Deloitte speak to Bill Eggers and Don Kettl, authors of *Bridgebuilders: How Government Can Transcend Boundaries to Solve Big Problems*. They have more than 75 years of combined experience in the world of public management between them, and they have studied countless efforts to redesign government to make it more agile and responsive.

Next steps

The full publication is available at [Government's Future Frontiers \(deloitte.com\)](https://www.deloitte.com/government/future-frontiers)



15.7 Sector developments

Government Trends 2023

Background and overview

In the age of discontinuity, governments are moving from hierarchies to networks to enable intragovernment collaboration and nurturing collaborative public-private ecosystems to achieve shared outcomes.

This report outlines nine transformational trends that illustrate governments “bringing down walls” to deliver solutions. The trends outlined are:

- Fluid government workforce models
- Bridging the data-sharing chasm
- Tackling funding silos
- Tailored public services
- Back-office innovations improving mission performance
- Regulation that enables innovation
- Teaming up to deliver whole health
- End-to-end justice
- Security by network

Next steps

The full publication is available at [Government Trends 2023 \(deloitte.com\)](https://www.deloitte.com/gt2023)



Appendices



16 Prior year audit adjustments

Uncorrected misstatements

No uncorrected misstatements were identified in relation to the prior year audit.

17.1 Our other responsibilities explained

Fraud responsibilities



Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in property valuations, capital expenditure and management override of controls.
- We will explain in our audit report how we considered the audit capable of detecting irregularities, including fraud. In doing so, we will describe the procedures we performed in understanding the legal and regulatory framework and assessing compliance with relevant laws and regulations.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

17.2 Our other responsibilities explained (continued)

Fraud responsibilities (continued)

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the Chief Executive.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.

Internal audit



- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.

Those charged with governance



- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

18 Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation

We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2024 in our final report to the Audit Committee.

Fees

The expected fee for 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:

£

Auditor remuneration	242,080
Audit Scotland fixed charges:	
• Pooled costs	8,820
• Contribution to PABV costs	62,820
• Sectoral cap adjustment	(7,240)
Total expected fee	306,480

In addition to the above, there will be a fee for the audit of the charitable trusts which will be agreed and discussed with management.

There are no non-audit fees.

Non-audit services

In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships

We have no other relationships with the Council, its directors, senior managers and affiliates, and have not supplied any services to other known connected parties.



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