Renfrewshire Council

External Audit Annual Plan 2024/25

To the Members of Renfrewshire Council and the Controller of Audit

March 2025

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Introduction

This audit plan highlights the key elements of our proposed audit strategy and provides an overview for those charged with governance of the planned scope and timing of the statutory external audit of Renfrewshire Council ("the Council"), including the charitable trust administered by the Council for the year ended 31 March 2025.

Our audit work will cover:

- an audit of the financial statements of the Council and its Group and charitable trust and an opinion on whether they give a true and fair view and are free from material misstatement;
- audit opinions on other statutory information published with the financial statements in the annual accounts, including the Performance Report, the Annual Governance Statement, and the Remuneration Report;
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes;
- the audit of Best Value arrangements, including supporting the Controller of Audit in preparing a report on the Council's overall Best Value arrangements and a separate Thematic Review on Best Value – Transformation in councils;
- the audit of the Council's Housing Benefit Subsidy Claim, Non-Domestic Rates Return and where relevant, the Whole of Government Accounts (WGA) return;
- review of the Council's arrangements for preparing and publishing statutory performance information;
- follow up work on the section 102 report by the Accounts Commission on the school accommodation for Dargavel village; and
- any other work requested by Audit Scotland.

Responsibilities of the auditor and the Council

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

Auditor responsibilities are derived from statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, the Code of Audit Practice and guidance from Audit Scotland.

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

Appendix 1 provides further detail of both our responsibilities and those of the Council.

Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. 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.

Feedback

If there are any elements of this audit plan to which you do not agree or you would like to discuss, please let us know as soon as possible.

Any comments you may have on the service we provide, the quality of our work, and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

This plan has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Audit scope and general approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Council, including its environment, the financial reporting framework and its system of internal control.
- Review the design and implementation of key internal controls.
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures.
- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We include an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud and respective responsibilities for prevention and detection of fraud.

Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise.

Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. For the purposes of this audit, we have designated the Audit, Risk and Scrutiny Board as those charged who will receive and consider all key audit outputs. In addition, our Annual Audit Report and Best Value reports will be presented to full Council.

Professional standards and guidance

We perform our audit of the financial statements in accordance with International Standards on Auditing UK (ISAs (UK)), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

Partnership working

We coordinate our work with Audit Scotland, internal audit, other external auditors and relevant scrutiny bodies, recognising the increasing integration of service delivery and partnership working within the public sector.

Our Audit Scotland appointments include Renfrewshire Council, Renfrewshire Valuation Joint Board, Scotland Excel, Clydeplan and the Coats Observatory Trust. Azets Audit Services is separately appointed as external auditors of Renfrewshire Leisure Limited (OneRen). Where practicable and appropriate we will share knowledge to generate efficiencies in the delivery of our audits.

Audit Scotland

Although we are independent of Audit Scotland and are responsible for forming our own views and opinions, we do work closely with Audit Scotland throughout the audit. This helps identify common priorities and risks, treat issues consistently across the sector, and improve audit quality and efficiency. We share information about identified risks, good practices and barriers to improvement so that lessons to be learnt and knowledge of what works can be disseminated to all relevant bodies.

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may review the Council’s arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which the Council uses the national performance reports as a means to help improve performance at the local level.

During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

Shared risk assessment and joint scrutiny planning

The Shared Risk Assessment (SRA) process is a vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at councils. A local area network (LAN) has been established for each council in Scotland which comprises representatives from the main local government scrutiny bodies. The LAN is led by external audit and meet as and when is considered appropriate.

Internal Audit

As part of our audit, we consider the scope and nature of internal audit work and look to minimise duplication of effort, to ensure the total audit resource to the Council is used as efficiently and effectively as possible.

Delivering the audit

Hybrid audit approach

We intend to adopt a hybrid approach to our audit which combines on-site visits with remote working; learning from the better practices developed during the pandemic.

Secure sharing of information

We use a cloud-based file sharing service that enables users to easily and securely exchange documents and provides a single repository for audit evidence.

Regular contact

During the 'fieldwork' phases of our audit, we will arrange regular catch-ups with key personnel to discuss the progress of the audit. The frequency of these meetings will be discussed and agreed with management.

Signing annual accounts

Audit Scotland recommends the electronic signing of annual accounts and uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts. Accounts can be signed using any device from any location and there is no longer a need for duplicate copies to be signed.

Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

Planning Materiality: We have set our materiality at 2% of gross expenditure based on the audited financial statements for 2023/24, resulting in £17.90million for the Group and £17.80million for the Council accounts.

Performance Materiality: Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £13.43million for the Group and £13.35million for the Council accounts.

Specific Materiality: In performing our audit, we apply a lower level of materiality of £5,000 to the audit of the Remuneration Report: senior officer and councillor remuneration tables.

Trivial threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £0.895million for the Group and £0.890million for the Council accounts.

When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

The basis for our assessment of materiality is set out in Appendix 2.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work is not for the purpose of expressing an opinion on the effectiveness of internal controls.

We will report to the Council, significant deficiencies in internal controls that we identify during the audit. These matters will be limited to those which we conclude are of sufficient importance to merit being reported. The scope of our work is not designed to be an extensive review of all internal controls.

Specialised skill or knowledge required to complete the audit procedures

Our intended audit approach is to consult internally with our Technology Risk team for them to support the audit team in assessing the information technology general controls (ITGC).

Going Concern

In most public sector entities (including local government pension schemes), the financial reporting framework envisages that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For many public sector entities, the financial sustainability of the entity is more likely to be of significant public interest than the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the Council.

Management responsibility

Management is required to make and document an assessment of whether the Funds are a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management is also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management’s use of the going concern assumption in the preparation of the financial statements and consider whether there are material uncertainties about the Funds’ ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider Practice Note 10 (PN10) and Code of Practice on Local Authority Accounting in the UK, which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Group audit scope and risk assessment

As Group auditor, under ISA (UK) 600 (Revised September 2022) we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The auditing standard for group engagements has been revised, as a result of the key changes that are reflected in the audit plan are:

- Revisions to the definitions of a group and component extend the scope of the ISA to encompass a wider range of group scenarios. This means that a single legal entity could fall under the scope of the group’s ISA based on its internal structure, while multiple legal entities may sometimes be defined as a single component.

- There is increased leadership responsibilities and involvement requirements for the group engagement leader, particularly when component auditors are utilised.
- There is a specific requirement for all component auditors to confirm their ability and willingness to comply with the FRC's Ethical Standard.
- The analytical/desktop review designation has been removed from the scope of procedures performed over a component in response to risk.

Group audit scope

Based on the initial assessment the Group consists of the following entities:

Component	Nature and extent of further audit procedures	Level of response required
Renfrewshire Council	Full Scope	Full scope statutory audit, as set out in this audit plan.
Renfrewshire Leisure Ltd	Specific procedures	Specific procedures in relation to pension asset/liability.
Common Good Funds	None	No procedures planned.
Paisley Museum Reimagined Ltd	None	No procedures planned.
Park Lane Developments (Renfrewshire) LLP	None	No procedures planned.
Coats Observatory Trust	None	No procedures planned. (*)
Strathclyde Partnership for Transport	Specific procedures	Specific procedure planned in relation to investment value reflected in council's accounts.
Strathclyde Concessionary Travel Scheme Joint Committee	None	No procedures planned.
Renfrewshire Valuation Joint Board	None	No procedures planned. (*)

Renfrewshire Health and Social Care Integration Joint Board	Specific procedures	Specific procedures on investment in associates and JV.
AMIDS Renfrewshire LLP	None	No procedures planned.

(*) We perform separate statutory audits of these accounts which are not related to the group accounts audit.

Definitions:

Full Scope Design and perform further audit procedures on the entire financial information of the component, beyond procedures completed to review the consolidation.

Specific Scope Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures, beyond procedures completed to review the consolidation.

None No further audit procedures required, beyond procedures completed to review the consolidation.

Risks at the component-level

The risks identified at the Council are set out in this external audit plan. There are no other significant risks identified in any of the other components above in respect of the Group audit.

Note that a component may require a statutory audit under UK or overseas company law irrespective of whether an audit is required for group reporting purposed. Management should therefore satisfy themselves that all UK and overseas company law requirements are adhered to on a company-by-company basis.

Prevention and detection of fraud or error

In order to discharge our responsibilities regarding fraud and irregularity we require any fraud or irregularity issues to be reported to us as they arise. In particular, we require to be notified of all frauds which:

- involve the misappropriation of theft of assets or cash which are facilitated by weaknesses in internal control;
- are over £5,000.

We also require a historic record of instances of fraud or irregularity to be maintained and a summary to be made available to us after each year end.

National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a biennial counter-fraud exercise led by Audit Scotland and overseen by the Public Sector Fraud Authority for the UK. It uses technology to compare information held by different public bodies, and on different financial systems that might suggest the existence of fraud or error.

Participating bodies were expected to submit datasets for matching in October 2024 and November 2024 and to receive matches for investigation in December 2024 and January 2025.

We will monitor the Council's participation and progress and, where appropriate, include references to NFI in our 2024/25 Annual Audit Report.

Anti-money laundering

We require the Council to notify us on a timely basis of any suspected instances of money laundering so that we can inform Audit Scotland who will determine the necessary course of action.

Correspondence

People or organisations write to Audit Scotland because they have concerns about an issue within a public body that falls under the remit of the Auditor General or the Accounts Commission. An issue of concern may be something such as a breakdown in financial management or governance arrangements.

The key factor in determining whether Audit Scotland examines an issue is the relevance of the issue to Audit Scotland's role and functions. Audit Scotland and appointed auditors will make this judgement using their professional and technical knowledge.

Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. Appendix 1 provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2024/25 is outlined in the 'Wider Scope' section of this plan.

National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2024/25 no such risks have been specified. Nevertheless, the arrangements for responding to climate change continues to be an area of particular focus.

Climate change

In 2022/23 we were required to gather information on the Council's response to climate change. Audit Scotland has reviewed the auditor returns assessing climate change and will share the findings from the review with auditors to provide helpful background information for 2024/25 annual audit work.

In addition, Audit Scotland will:

- Publish a Good Practice Note on disclosures related to climate change following a review of public bodies' 2022/23 and 2023/24 annual accounts.
- Provide guidance to auditors on auditing climate change disclosures within the 2024/25 annual accounts of public bodies.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

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

1. **Follow up:** our work will follow up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports, Best Value thematic reports and Annual Audit Reports. Our work will reflect the Council's self-assessment against outstanding improvement actions and our findings will be based on the Council's current arrangements for delivering best value.
2. **Risk based approach to Best Value themes:** We pay due regard to the Council's arrangements in respect of the seven Best Value themes in identifying any significant risks.
3. **Assessing the effectiveness of performance reporting:** the best value theme, effective use of resources, includes an expectation that councils report effectively on their performance. Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities. Specifically in respect of assessing the effectiveness of performance reporting we will consider:

Reporting service performance

- the Council's assessment of progress against its service priority measures in 2024/25 and over time
- what the Council is reporting on its relative performance in 2024/25 and over time (from the Local Government Benchmarking Framework and other information used locally)
- the effectiveness of Council processes for reporting and scrutiny of performance against its priorities

Continuous improvement

- the Council's arrangements to demonstrate continuous improvement in how they deliver their priority services

Statutory performance information

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's Best Value audit responsibilities. 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 (applies for the three years to 2024/25) which requires a council to report its:

- Performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on the Local Government Benchmarking Framework and / or other benchmarking activities)
- Own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

As external auditors we are required 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 evaluate the effectiveness and appropriateness of the arrangements at the Council, including assessing the appropriateness of the information provided to members in responding to the Direction.

4. **Thematic reviews:** we are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2024/25 is on the service transformation and will involve auditors considering how councils are planning, overseeing and executing various transformation programmes and activities. We will report our conclusions in a separate report which will be

presented to those charged with governance and published on Audit Scotland's website.

5. **Contributing to Controller of Audit reports:** The Controller of Audit reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five year audit appointment. The report is a summary of information and judgements reported by each auditor.

   When considering the s102 report on Dargavel school provision the Accounts Commission has also requested to bring forward Renfrewshire Council's Best Value report from 2027 to 2025. As a result we will perform this work during 2024/25 and plan to report the outcomes from our review of the Council's Best Value arrangements by end June 2025.

Section102 School accommodation for Dargavel Village - Follow Up Review

In January 2024 the Accounts Commission ("the Commission") considered the S102 report by the Controller of Audit on School Accommodation for Dargavel Village. The follow-up was considered by the Commission in August 2024. On request of the Controller of Audit we will further consider impact of the above matters and comment on wider arrangements in the areas of community engagement and council culture during the 2024/25 audit.

Reporting our findings

At the conclusion of the audit we will issue:

- an independent auditor's report setting out our formal audit opinions within the annual accounts; and
- an annual audit report describing our audit findings, conclusions on key audit risks, judgements on the pace and depth of improvement on our audit of wider scope and best value areas and any recommendations.

- There is a fundamental absence or failure of arrangements in place
- There is no evidence to support improvement
- Substantial unmitigated risks affect achievement of corporate objectives

- Arrangements are inadequate or ineffective
- Pace and depth of improvement is slow
- Significant unmitigated risks affect achievement of corporate objectives

- No major weaknesses in arrangements but scope for improvement exists
- Pace and depth of improvement are adequate
- Risks exist to achievement of operational objectives

- Effective and appropriate arrangements are in place
- Pace and depth of improvement are effective
- Risks to achievement of objectives are managed

Financial statements – significant audit risks

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The table below summarises the significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk of material misstatement	Audit approach
Management override of controls **(the Council and the Group)** Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, there is a significant risk of material misstatement due to fraud in relation to estimates & significant judgements, manual journals and one-off transactions	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • Testing high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and to ensure

Identified risk of material misstatement	Audit approach
outside the ordinary course of the business. **Risk of material misstatement: Very High**	approval has been undertaken in line with the Council's journals policy. • Gaining an understanding of the accounting estimates and critical judgements made by management. We will challenge assumptions and consider the reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.

Significant risks at the assertion level for classes of transaction, account balances and disclosures

The table below summarises the significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Identified risk of material misstatement	Audit approach
Fraud in non-pay expenditure **(The Council and the Group)** As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council. Practice Note 10: audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states: "*As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition*". We narrowed the risk of material misstatement in the accounts to non-pay expenditure, including accruals, to completeness as we regarded this aspect of expenditure to be at the highest risk for potential fraud or manipulation. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating the significant non-pay expenditure streams and reviewing the controls in place over accounting for the completeness of expenditure and accruals. • Considering of the Council's key areas of expenditure and obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year. • Perform substantive testing on expenditure transactions at and around the year end to verify the accounting period transactions relate to and confirm that transactions have been recognised in the correct accounting period. • Testing of accruals around the year end to consider if these agree to supporting documentation and whether there is any indication of understatement of balances held through consideration of accounting estimates.

Identified risk of material misstatement	Audit approach
recording of expenditure around the year end. **Inherent risk of material misstatement:** • **Non-pay expenditure (completeness): High** • **Accruals (completeness): High**	
Valuation of land & buildings and council dwellings - key accounting estimate **(The Council and the Group)** The Council held council dwellings with a net book value of £733.9 million and land and buildings with a net book value of £375 million at 31 March 2024. The Council revalues land and buildings and council dwellings on a five-year rolling basis. Council dwellings are valued by the District Valuer using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A full revaluation exercise is completed every five years. In interim years the values of beacon properties are updated to reflect key factors including changes in rental prices. Other land and buildings are held at current value and revalued as part of the five-year rolling programme. In addition, indices are applied to all assets held at Depreciated Replacement Cost (DRC) to reflect market changes within the year. There is a significant degree of subjectivity in the measurement and valuation of land, buildings and council dwellings. This subjectivity and the	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of management's valuation expert. • Considering the basis on which the valuations are carried out and challenging the key assumptions applied. • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor's expert. • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding. • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the

Identified risk of material misstatement	Audit approach
material nature of the Council's asset base represents an increased risk of misstatement in the financial statements. There is a significant degree of subjectivity in the measurement and valuation of property, plant and equipment. This subjectivity and the material nature of the Council's asset base represents an increased risk of misstatement in the annual accounts. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations. **Inherent risk of material misstatement:** • **Land & Buildings and council dwellings (valuation): High**	accounting treatment within the financial statements is correct. • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.
Pension asset / liability - key accounting estimate **(The Council and the Group)** An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the Code. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises.	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating managements processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work. • Evaluating the competence, capabilities and objectivity of the actuary. • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete.

Identified risk of material misstatement	Audit approach
The estimates are highly sensitive to changes in these assumptions (and the calculation of any asset ceiling when determining the value of a pension asset (where relevant)). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk. **Inherent risk of material misstatement:** • **Pensions (valuation): High**	• Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors' expert. • Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements. • Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts. • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.
IFRS 16 implementation impact on PPP/PFI arrangements **(The Council and the Group)** The adoption of IFRS 16 in local government accounts is mandatory from 2024/25. While the leases in place at the Council are not material, the new standard also applies to service concession arrangements (PFI, PPP, NPD). The Council had over £107.5 million worth of assets financed through PPP/PFI arrangements at 31 March 2024. As a result of the implementation of IFRS 16, the accounting treatment for indexation linked payments in liabilities	Procedures performed to mitigate risks of material misstatement in this area will include: • Obtaining the evidence of management consideration of impact of IFRS 16 on its service concession arrangements and assessing work to identify all relevant contracts. • Examining management's work on application of the new requirements, including indexation changes impact, liability remeasurement and reflecting changes in the financial statements

Identified risk of material misstatement	Audit approach
for service concession arrangements has changed. Local authorities must remeasure if there is a change in future lease payments resulting from a change in an index / rate used to determine those payments and ensure that the financial statements accurately reflect the impact of the revised IFRS 16 accounting arrangements. The implementation of the new requirements is complex and could have material impact on the council financial statements and therefore it increases the risk of misstatement. **Inherent risk of material misstatement:** **PPP liability (valuation): High**	in line with accounting framework requirements. • Review the council's accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard. • Assess the adequacy of disclosures regarding service concession arrangements.

The wider scope of public audit

The Code of Audit Practice frames a significant part of our responsibilities in terms of four wider scope audit areas:

- Financial sustainability
- Financial management
- Vision, leadership and governance
- Use of resources to improve outcomes.

Our audit approach to the wider scope audit areas

Appointed auditors are required to consider the wider scope areas when:

- identifying significant audit risks at the planning stage of the audit
- reaching conclusions on those risks
- making recommendations for improvement
- where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under the four areas identified above. Appendix 1 provides further detail on the definition, scope and audit considerations under each wider scope area.

Our planned audit work against these four areas is risk based and proportionate. Our initial assessment builds upon our understanding of the Council's key priorities and risks along with discussions with management and review of Council and committee minutes and key strategy documents.

We have identified one significant risk in relation to financial sustainability as set out in the table below. Audit planning is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.

Wider scope significant risk

Financial sustainability
The Council considers its medium-term financial planning through its General Fund Financial Outlook report regularly presented to the full Council. The current expected budget gap prior to any decisions on council tax would be between £25-40million over the period between 2025/26 and 2027/28. Assuming 6.5% council tax increases in the next three years the funding gap reduces to £5-25million and would require the Council to identify c.£8million of savings and efficiencies each year for the next three years. At the point of drafting this report £7million of savings have been included in 2025/26 budget. Any council tax increases would be subject to Council vote and approval. The Council has a Financial Sustainability reserve of £13.2million which it plans to utilise over the coming years. Various commitments to utilise this reserve and a reduction in employer pensions contributions will result in a forecast balance of c. £19 million in this reserve at the end of 2024/25. Further £12million from the reduced contributions will grow that reserve to an estimated £31million the following year. After that year the pension contributions increase to 17.5% and no further savings are expected from this change. The Council maintains a policy of minimum £10million of unallocated reserves (just over 2% of net expenditure) held for unplanned or emergency purposes. The Council reviewed its budget planning assumptions to reflect the financial challenges impacting on the external environment in which the Council operates. The draft budget presented in December 2024 by the Scottish Government indicated funding of £464million for the Council, an increase of 8.7% on the previous year (excluding additional funding in relation to National Insurance increases). The Council estimates that the NI increase will cost over £6 million annually, and that the additional funding from the Scottish Government will cover c.£4.4million of this cost. The Council has been using a ‘flat-cash’ funding assumption when planning their budgets. The actual core grant funding, adjusted for additional elements of responsibilities, increased by 2.3% on 2024/25, which is more positive than assumed. The Council highlights the fact that there is a timing disconnect between its ability to develop and deliver recurring savings to match the spend pressures which are emerging, resulting in a growing recurring financial gap. It becomes more likely that the Council will utilise reserves over the medium term to achieve financial balance. In addition to the funding and council tax increase, other planning assumptions included pay and contractual inflation cost pressures. The continuing and uncertain

Financial sustainability
impact of cost pressures on the Council's finances and ability to deliver services in a sustainable manner remains an ongoing challenge and risk. The medium-term financial challenge and financial gap is regularly considered by the Council, and a further £7million of savings has been incorporated into the 2025/26 draft budget. This does still leave a gap over the medium term, which poses an increasing risk to the Council's delivery of services.
Our audit response: During our audit we will review whether the Council has appropriate arrangements in place to manage its financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the medium and longer term impact of cost pressures and that continue to support the delivery of the Council's statutory functions and strategic objectives.

Further wider scope considerations

In formulating our audit plan, we identified areas of further focus for our work in other wider scope areas:

Financial management

- Whether there are effective arrangements in place to budget for, monitor and deliver its capital plans.
- Whether the planned savings in the year have been set realistically and were achieved.

Vision, leadership and governance

- Whether the leadership programme introduced was effective and impact of the programme is assessed on regular basis.
- Impact of the results of the cultural assurance model and how it affects the Council work.

Use of resources to improve outcomes

- Impact of the savings exercises and budget reductions on the quality of the delivery of the Council services.
- Whether the Council progressed its preparation to the new Statutory Performance Indicators Direction to be effective from 2025/26.

Renfrewshire Trust Funds

Coats Observatory Trust Fund

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment.

The Council's charitable trust is covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently requires a full audit. Each registered charitable trust has required a full audit since 2013/14.

There is one registered charity preparing its accounts on a receipts and payments basis – Coats Observatory Trust Fund.

Significant risks at the financial statement level

The table below summarises the significant risk of material misstatement identified at the financial statement level. This risk is considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk of material misstatement	Audit approach
Management override of controls **(The Coats Observatory)** Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • Testing high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval

Identified risk of material misstatement	Audit approach
of material misstatement due to fraud and thus a significant risk. **Risk of material misstatement: Very High**	has been undertaken in line with the Trusts' journals policy. • Gaining an understanding of the accounting estimates and critical judgements made by management. We will challenge assumptions and consider the reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.

Audit team and timetable

Audit Team

Our audit team will be as follows:

Role	Name	Email
Engagement Lead	Gary Devlin	Gary.Devlin@azets.co.uk
Engagement Director	Rebecca Lister	Rebecca.Lister@azets.co.uk
Engagement Manager	Adrian Kolodziej	Adrian.Kolodziej@azets.co.uk
Engagement Assistant Manager	Ava Campbell	Ava.Cambell@azets.co.uk

Timetable

Please find below confirmation of our proposed timetable for the audit as previously discussed with management:

Output	Target month / date
Audit planning work, including planning meetings	February – March 2025
Audit, Risk and Scrutiny Board to consider audit plan	17 March 2025
Best Value work	February – May 2025
Interim audit	March 2025
Best Value report presented to the Accounts Commission	TBC
Receipt of draft accounts	30 June 2025
Commencement audit fieldwork	7 July 2025
Audit, Risk and Scrutiny Board to consider accounts and audit report	22 September 2025

Output	Target month / date
Council meeting to approve accounts for signing	25 September 2025
Grant claims and returns: • Non domestic rate income return (NDRI) • Housing benefit subsidy claim (HB)	31 December 2025

Our Requirements

The audit process is underpinned by effective project management to co-ordinate and apply our resources efficiently to meet your deadlines. It is essential that the audit team and the Council's finance team work closely together to achieve the above timetable.

In order for us to be able to complete our work in line with the agreed fee and timetable, we require the following:

- Draft financial statements of a good quality by the deadlines you have agreed with us. These should be complete including all notes, the performance report and the accountability report.
- Good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations.
- Ensuring staff are available and on site (as agreed) during the period of the audit.
- Prompt and adequate responses to audit queries.

Audit fee

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit. Audit Scotland sets an expected audit fee that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate unaudited accounts and meets the agreed timetable for audit.

The expected fee is reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2024/25 audits) have been developed in the context of a challenging economic environment, increased expectations on the audit profession competitive environment in audit staff retention.

The 2024/25 expected audit fee is based on applying a 1.9% increase to the 2023/24 expected audit fee. This increase is applied on a sector basis and reflects the conditions of the public sector market.

As auditors we negotiate a fee with the Council during the planning process. The auditor remuneration element of the fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.

The expected fee for auditor remuneration set by Audit Scotland for the 2024/25 audit of the Council is £299,830. We propose setting the 2024/25 audit fee at £329,710 which equates to a 10% increase. We have increased the auditor remuneration element of the audit fee to reflect the level of work we consider is required in response to the key audit matters identified in this plan, implementation of accounting standard IFRS 16 – leases, changes to the International Standard on Auditing (UK) 600 – Audits of group financial statements, and requirement to deliver full Best Value review during this year's audit.

The breakdown of the fee for 2024/25 is shown in the table below.

	2024/25	**2023/24**
Auditor remuneration	£329,710	£316,514
Pooled costs	£7,530	£10,490
Contribution to PABV costs	£79,800	£82,680
Audit support costs	-	-
Sectoral cap adjustment	£61,830	£59,660
Total fee	**£478,870**	**£469,344**

We will take account of the risk exposure of the Council and the management assurances in place. We assume receipt of the draft working papers at the outset of our on-site final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work.

An additional fee will be required in relation to any other significant work not within our planned audit activity. The Controller of Audit may require additional Best Value work outwith the core work contained within Audit Scotland's methodology. We will notify you of any additional fees in relation to such work.

Audit fee – Renfrewshire Council Charitable Trust (Coats Observatory)

The audit fee in the table above does not include the cost of auditing charitable trust fund. We propose setting the audit fee for the audit of the charitable trust at £6,480 which represents 1.9% increase in line with Audit Scotland approach outlined above.

Audit independence and objectivity

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Azets has not been appointed by the Council to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the Council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

Appendices

Appendix 1: Responsibilities of the Auditor and the Council

The Accounts Commission, Controller of Audit and Audit Scotland

The Accounts Commission is an independent public body. Its members are appointed by Scottish Ministers and are responsible for holding local government to account.

Under statute, the Accounts Commission appoints a Controller of Audit to consider the results of the audit of accounts, including the wider-scope responsibilities and Best Value auditing. The Controller of Audit makes reports to the Accounts Commission on matters arising from the accounts and on Best Value and acts independently of the Accounts Commission when reporting to it.

Audit Scotland is an independent statutory body that co-ordinates and supports the delivery of high-quality public sector audit in Scotland. Audit Scotland oversees the appointment and performance of auditors, provides technical support, delivers performance audit and Best Value work programmes and undertakes financial audits of public bodies.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The 2021 Code came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

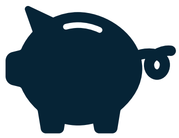
We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Council and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

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 broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

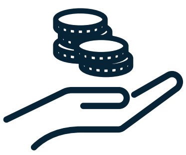


Financial management

Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.



Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the Council's best value arrangements is integrated into our audit approach, including our work on the wider scope areas as set out in this plan.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an Audit Quality Framework

The most recent audit quality report can be found at Quality of public audit in Scotland: Annual report 2022/23 | Audit Scotland (audit-scotland.gov.uk)

Council responsibilities

The Council has primary responsibility for ensuring the 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 the following:

Area	Council responsibilities
Corporate governance	The Council is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.
Financial statements and related reports	The Council has responsibility for: • preparing financial statements which give a true and fair view of its financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely. The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational

Area	Council responsibilities
	and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Council is also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	The Council is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Financial position	The Council is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to: • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best value	The Council has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among: • The quality of its performance of its functions • The cost to the body of that performance

Area	Council responsibilities
	• The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis. In maintaining that balance, the Council shall have regard to: • Efficiency • Effectiveness • Economy • The need to meet the equal opportunity requirements. The Council should discharge its duties in a way which contributes to the achievement of sustainable development. In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved. The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes: 1. Vision and leadership 2. Governance and accountability 3. Effective use of resources 4. Partnerships and collaborative working 5. Working with communities 6. Sustainability 7. Fairness and equality. The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services. Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

Appendix 2: Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Council and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Group and the Council materiality

	Group £million	Council £million
Overall materiality for the financial statements	17.90	17.80
Performance materiality	13.43	13.35
Trivial threshold	0.895	0.890

Materiality	Our assessment is made with reference to the Council's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance. Our assessment of materiality equates to approximately 2% of the Council's gross expenditure as disclosed in the 2023/24 audited annual accounts. This is consistent with our prior year judgement.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures

	carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Specific materiality	We also consider materiality qualitatively. In areas where users are particularly sensitive to inaccuracy or omission, we may treat misstatements as material even below the principal threshold. In performing our audit, we apply a lower level of materiality of £5,000 to the audit of the Remuneration Report: senior officer and councillor remuneration tables.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. We set it as 5% of the overall materiality, in line with our standard methodology.

Coats Observatory materiality

	Overall materiality (£)	**Performance materiality (£)**	**Trivial threshold (£)**
Coats Observatory Trust Fund	£45,000	£34,000	£2,000

Overall materiality: our assessment is based on approximately 3% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the charitable trust.

Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.

Trivial threshold: 5% of overall materiality for the financial statements.

Common Good Funds materiality

The Council maintains three Common Good funds, which were deregistered as charities two years ago and do not require a separate audit opinion. However, we set out separate materiality levels for these funds as these will be specifically covered by the Renfrewshire Council auditor's opinion and are shown as a separate statement in the Council's financial statements.

	Overall materiality (£)	**Performance materiality (£)**	**Trivial threshold (£)**
Paisley	£191,000	£143,000	£9,600
Johnstone	£1,560	£1,170	£100
Renfrew	£1,085,000	£814,000	£54,000

Overall materiality: our assessment is based on approximately 3% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of each charitable trust.

Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.

Trivial threshold: 5% of overall materiality for the financial statements, with the Johnstone Fund rounded up to £100.