Deloitte.

Stirling Council

Final report to the Audit Committee, the Council and the Controller of Audit on the on the 2022/23 audit

Issued on 9 August for the meeting on the 29 August 2024

Contents

1.1 Partner 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 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 final report to the Audit Committee ("the Committee") of Stirling Council ("the Council") for the 2022/23 audit. The report summarises our findings and conclusions in relation to the audit of the Annual Accounts and the wider scope requirements; the scope of which was set out within our planning report presented to the Committee in June 2023.

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date, we have issued an unmodified audit report.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the Council. We provided management with comments and suggested changes based on review of the first draft and we have received an updated final version confirming compliance.

The auditable parts of the Remuneration report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 7.

No material errors have been identified and there are no uncorrected misstatements. 3 corrected misstatements in excess of our reporting threshold of £250,000 has been identified up to the date of this report which is included within the Appendix to this report. These have no impact on the General Fund of the Council.

1.2 Partner Introduction (continued)

The key messages in this report (continued)

Status of the Annual Accounts audit

We have completed all of our audit procedures and have no outstanding points to address.

Conclusions from wider scope audit work

Financial management – effective budget setting and monitoring arrangements are in place. The capital budget setting and monitoring arrangements should be reviewed to ensure that realistic budgets are set with clear timelines and a clear linkage to Council priorities. The development of a Capital Strategy is a positive step. Due to the pressures of implementing the ERP system, there is a significant capacity constraints within the finance team to support the financial management arrangements within the Council. We will continue to monitor this through our audit appointment.

Financial sustainability – Financial balance was achieved in 2022/23 and budgeted in 2023/24 by using one-off solutions including use of reserves, which is unsustainable in the medium to longer-term. In November 2023 the level of uncommitted reserves was projected to reduce to below the Council's minimum level and significant funding gaps are projected over the next two years. The uncommitted reserve position has improved as of February 2024 and is now in line with the Council's upper target level. There remains a significant risk that the Council is not financially sustainable and urgent action is required.

positive steps. The Council is faced with having to make difficult decisions to achieve financial sustainability, therefore, it is critical that the early engagement and buy-in of elected members and the public is progressed.

The work being done as part of the refreshed transformation themes are also positive steps, however, significant work is still required to make the level of transformation change needed. There have been significant delays in implementing the ERP system, which forms part of the Council's transformation change programme. There remains a significant risk in relation to fully implementing the ERP system. A Business Change Strategy and Plan needs to be developed to ensure successful delivery of the expected benefits of the project.

Vision, leadership and governance – Our view of the vision and leadership of the Council has been considered as part of the separate management report "Best Value thematic work 2022/23".

Effective governance arrangements are in place, including the updated Local Code of Corporate Governance and an effective Audit Committee. In line with best practice, the Audit Committee should carry out an annual self-assessment to allow it to identify any training needs or changes to the Committee.

The Council continues to be open and transparent.

1.3 Partner Introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

Use of resources to improve outcomes – Our view on the Council's performance management framework has been considered as part of the separate management report "Best Value thematic work 2022/23".

There are appropriate arrangements in place to comply with the SPI Direction, including its public performance reporting requirements.

Best value - The Council has an appropriate and effective best value framework in place and has continued to make positive progress in addressing the recommendations contained in the 2019 BVAR. The Council has a clear understanding of areas which require development.

Climate change – The Council has a comprehensive Climate and Nature Emergency Plan and is reporting annually in accordance with the regulation and legislation. Detailed governance arrangements are in place, with improvement recommended as part of a recent Internal Audit review. It is essential that as detailed delivery plans are developed, the Council is transparent about the gaps and challenges that exist in achieving its targets.

Cyber risk - We have obtained an understanding of the Council's cyber risk management programme and internal controls in relating to cyber risk. No issues have been noted. it is important that the internal audit review is progressed as planned in 2023/24 to assess the appropriateness of the cyber security arrangements in place.

Next steps

An agreed Action Plan is included on pages 60 to 70 of this report, including a follow-up of progress against prior year actions.

We have also prepared a separate management report as part of the Best Value thematic work in 2022/23 assessing the leadership of the development of new local strategic priorities.

Added value

Our aim is to add value to the Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

We have also included our "sector developments" on pages 57-58 where we have shared our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the local government.

Pat Kenny
Lead audit partner

Annual Accounts Audit

2.1.1 Quality Indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Timing of key accounting judgements	Mature	Documentation supporting management's assessment of key estimates – including pensions, provisions and property valuations – was provided on time.	
Adherence to deliverables timetable	! Lagging	The draft Annual Accounts were provided on 9 June 2023 which was in line with the agreed timetable. Management provided information for 61% of audit requests on time, with 12% being received between 1 and 7 days late, and 27% over 8 days late. As noted below, the finance team has been under significant pressure from implementing the new ERP system which has impacted on the delivery of audit evidence. Due to this, and the adjustments identified (page 71) it was agreed to revise the audit reporting deadline.	
Access to finance team	! Developing	Deloitte and Council staff have worked together to facilitate remote communication during the audit, with ad-hoc onsite visits. We are aware that the finance team has been under significant pressure from implementing the new ERP system which has meant a backlog in business-as-usual work affecting the ability to respond to audit requests.	

! Lagging ! Developing Mature

2.1.2 Quality Indicators (continued)

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason	Further detail
Quality and accuracy of management accounting papers	!	There were instances where the quality and accuracy of the supporting evidence did not meet the standard required, as demonstrated by 24% of requests required resubmission by management. (For example, PPE additions required significant levels of sub sampling due to aggregation, and listings of all revalued properties took time to compile). We plan to hold a detailed de-brief with all members of the audit team and Council finance team to identify lessons learned and improve this for future years.	
Quality of draft Annual Accounts		The initial draft of the Annual Accounts received for audit was generally of a good standard.	
Response to control deficiencies identified	!	Deloitte noted a control deficiency over the processing of PPE revaluation entries. Management have accepted this and plan to implement additional controls in future years.	Page 18
Volume and magnitude of identified errors	!	Three adjustments were identified during the audit, as set out on page 72. Management have accepted these adjustments and corrected them all.	

! Lagging ! Developing Mature

2.2 Our Audit Explained

We tailor our audit to your business and your strategy

Identify changes in your business and environment

In our planning report we identified the key changes in your business and articulated how these impacted our audit approach.

Determine materiality

When planning our audit, we set our group materiality at £6.590m based on forecast gross expenditure. We have updated this to reflect final figures and completed our audit to group materiality of £6.333m (Council only £6.013m), group performance materiality of £4.430m (Council only £4.200m) and report to you in this report all misstatements above £250,000 (Group and Council).

Scoping

Our planning report set out the scoping of our audit in line with the Code of Audit Practice. We have completed our audit in line with our audit plan.

Significant risk assessment

In our planning report we explained our risk assessment process and detailed the significant risks we have identified on this engagement. We report our findings and conclusions on these risks in this report.

Conclude on significant risk areas

We draw to the Audit Committee's attention our conclusions on the significant audit risks. In particular, the Audit Committee must satisfy themselves that management's judgements in are appropriate.

Other findings

As well as our conclusions on the significant risks we are required to report to you our observations on the internal control environment as well as any other findings from the audit. We would like to draw to your attention to our other findings, further detail of which is found on page 18.

Our audit report

Following completion of audit procedures we have issued an unmodified audit report.

2.3.1 Significant Risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Controls conclusion	Consistency of judgements with Deloitte's expectations
Management override of controls	✓	DI	Satisfactory	Consistent
Property valuations	✗	DI	Satisfactory	Consistent
Capital Expenditure	✓	DI	Satisfactory	Consistent

Controls approach adopted

DI Assess design & implementation

Consistency of judgements with Deloitte's expectations

Consistent

Improvement required

Inconsistent

2.3.2 Significant Risks (continued)

Management override of controls

Risk identified

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 management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Accounts and accounting records.

Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

- We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Accounts. In designing and performing audit procedures for such tests, we have:
- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements.

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgements and decisions made by management in making the accounting estimates included in the Annual Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. A summary of the key estimates and judgements considered is provided on the next page; and.
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any instances of management override of controls.

2.3.3 Significant Risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgements in the Annual Accounts includes those which we have selected to be significant audit risks around capital expenditure (see page 14) and property valuations (see page 13). This is inherently the area in which management has the potential to use their judgement to influence the Annual Accounts. While not considered to be significant audit risks, we have considered the assumptions used to calculate the pension liability (see page 15) and the recognition of expenditure (see page 16). In the table below, we set out our challenge of the assumptions used in the determination of the Public Finance Initiatives and Public Private Partnership projects.

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
Private Finance initiatives ('PFI') and Public Private Partnership ('PPP)	The Council currently has one PFI project and one PPP contact for the provision of education buildings, their maintenance and related facilities: Balfron High School and Stirling Schools. Each PFI/PPP liability is valued based on the value of the remaining lease payments under IAS 16 and IAS 17. The minimum lease rental is split between interest and principal using the actuarial method.	We obtained and assessed the initial PFI/PPP agreements in place and reconciled to the payment schedules for each model. We have checked the integrity of the models and have performed a reconciliation to the Annual Accounts. We have conducted a retrospective review of the prior year liability to assess accuracy and have challenged any changes made to the model. We have assessed the value of the underlying buildings through our Valuations work. We are satisfied that the PFI/PPP liability recognised in the accounts is in line with the models and there is no indication of management bias. We have challenged management's accounting treatment and concluded that the net book value has been appropriately disclosed.

2.3.4 Significant Risks (continued)

Property valuations

Risk identified and key judgements

The Council held £639.142m of property assets (Council dwellings, land & buildings) at 31 March 2022 which increased to £706.121m as at 31 March 2023 due to a combination of upwards revaluations and impairments, as a result of the Council carrying out a combination of asset valuations as part of the 5-year rolling programme and a desktop valuation of schools and housing stock.

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.

Deloitte response and challenge

We have performed the following procedures:

- used our valuation specialists, Deloitte Real Asset Advisory, to review and challenge the appropriateness of the assumptions used in the year-end valuation of the Council's Land and Buildings;
- tested the design and implementation of key controls in place around the property valuation;
- tested the inputs to the valuation and the key asset information provided by the Council to the valuer back to supporting documentation; and
- Challenged management's assessment for material changes in value for those property assets not subject to full valuation in the year.

In response to the UK government notice regarding Reinforced Autoclaved Aerated Concrete (RAAC), we have followed up the action taken to date with the Council. Management has confirmed that it has carried out a review of its estate, focussing on property constructed between 1930 and 1990, but prioritising property between 1950 and 1990. To date, and as per the guidance, it has initially concentrated on the school estate, however, the team has been progressing through the review of its offices, community and library estate. It has also expanded its scope for its programmed Condition Reporting to include an assessment on concrete specifically. No concerns have been identified from this work.

Deloitte view

We have identified an understatement of £1.6m relating to 2023/24 PPE valuations. We also identified an adjustment of £39.8m relating to prior year revaluations. Both have been corrected and no further adjustments noted.

2.3.5 Significant Risks (continued)

Capital Expenditure

Risk identified and key judgements

The Council has a significant capital programme and had budgeted £37.190m for capital works during 2022/23 (2021/22: £29.297m). 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 (£14.996m as at 31 March 2022). 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.

Deloitte response and challenge

We have performed the following procedures:

- Reviewed the Council's capital plans as part of the planning process and discussed with management potential risks or issues identified.
- Reviewed accounting papers prepared by management in respect of any areas of judgement in the application of accounting standards to determine whether costs should be capitalised;
- Tested 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;
- Tested the design and implementation of controls around the transfer of assets out of assets under construction and into use and tested completed projects on a sample basis to ensure depreciation is charged from the correct date;
- Evaluated the completeness of disposals or impairments of existing assets on completion of the above key projects; and
- Challenged any significant judgements made by management in regard to these projects, for example the capitalisation of staff costs and other project development costs, to ensure they comply with relevant accounting requirements.

Deloitte view

We have not identified any issues with regards to capitalisation of capital expenditure.

2.4.1 Other Areas of Audit Focus

Defined benefits pension scheme

Background

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 has changed from a net liability of £204.887m in 2021/22 to a net asset of £10.446m. This significant movement is largely as a result of an increase in the corporate bond yield, upon which the discount rate is derived, and is reflective of the pension fund triennial valuation in March 2024.

Deloitte response

- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work;
- We reviewed and challenged the assumptions made by Hymans Robertson;
- We have obtained assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary;
- We assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund Annual Accounts;
- We have reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities;
- We have assessed whether the recognition of the asset is in line with standards; and
- We reviewed the disclosures within the accounts against the Code.

	Council	Comments
Pension increase (% p.a.)	2.95	Appropriate
Salary increase (% p.a.)	3.55	Appropriate
Discount rate (% p.a.)	4.75	Appropriate
Mortality - Life expectancy of a male/female pensioner from age 65 (currently aged 65)	20.4/23.1	Appropriate
Mortality - Life expectancy of a male/female pensioner from age 65 (currently aged 45)	21.3/24.8	Appropriate

Deloitte view

We have not identified any issues with regards to the defined benefits pension scheme. The Council have updated the disclosures to reflect the most recent pensions fund triennial valuation in March 2024.

2.4.2 Other Areas of Audit Focus (continued)

Expenditure recognition

Risk identified

In accordance with Practice Note 10 (*Audit of financial statements 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 the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We have considered this risk for the Council and concluded that we are satisfied that the control environment is strong and there is no history of errors or audit adjustments. This was therefore not been assessed as a significant risk area but continued to be an area of audit focus.

Deloitte response

We performed the following procedures to address the above risk:

- A review of the number and median value of invoices processed in the year. As illustrated in the table opposite, based on the medium amount, the Council would need to omit over 45,553 invoices at year-end to result in a material error. We noted that in the month following the year-end, a total of 5,220 invoices were processed. We therefore concluded that a risk of material misstatement was remote.
- Analytical review to test the completeness and accuracy of year-end creditor balances was carried out. We are satisfied that the amount recorded is reasonable.
- Detailed testing of a sample of accruals was completed with no issues arising.

	Invoice Analysis
Median invoice amount	£132
Average number of invoices processed per month	8,218
Number of invoices that would need to be unrecorded to cause a material misstatement	45,553
Total invoices processed in April 2023 (one month after year-end)	5,220 (total value £12.387m)

Deloitte view

We have concluded that expenditure has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

2.4.3 Other Areas of Audit Focus (continued)

Charitable trusts

Risk identified

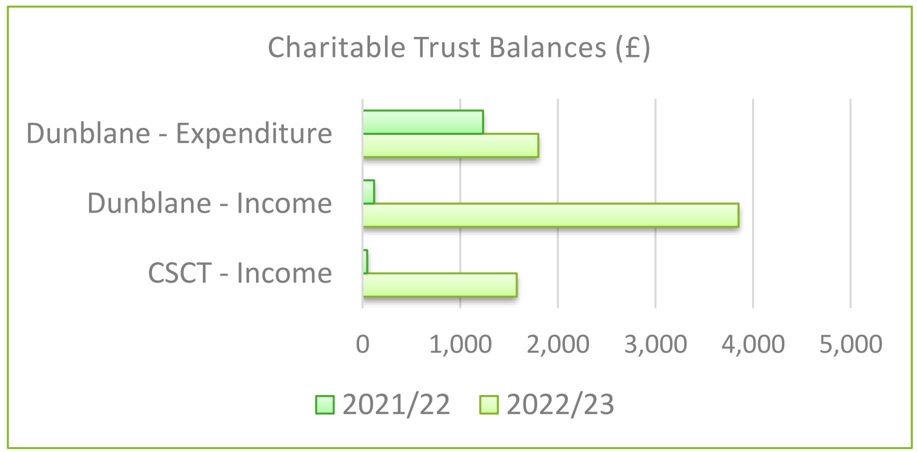
From 2013/14, all Scottish Councils who act as sole trustees for any registered charities have to fully comply with the Charities Accounts Regulations. This requires Charities SORP compliant accounts to be prepared for each charity, and a separate audit of each. Stirling Council administer two such registered charities – The consolidated small charitable trusts and the Dunblane Cemetery Memorial Garden (Maintenance) Trust.

As the gross income of the Trust is less than £100,000, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with The Charities Accounts (Scotland) Regulation 2006. Fully compliant Charities SORP accounts are therefore not required, and disclosure is limited to that specified in the Regulations. The Consolidated Small Charitable Trusts (CSCTs) income is also less than £100,000, however, the Council has chosen to prepare fully compliant Charities SORP accounts.

Deloitte response

We have assessed both sets of accounts to ensure these have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006.

A summary is of the income and expenditure in each accounts is shown in the chart opposite demonstrating that the income and expenditure is minimal.



Deloitte view

Our testing of the charitable trust is complete with no issues arising. We have issued an unmodified opinion. As noted above, the Dunblane Cemetery Memorial Garden (Maintenance) Trust income is less than £100,000 and therefore eligible for accounts to be prepared on a receipts and payments basis. The Council should consider this for future years to reduce the administrative and audit burden in preparing these accounts.

2.5 Your Control Environment and Findings

Control deficiency and areas for management focus

Low priority
Medium Priority
High Priority

Observation		Deloitte recommendation	Management response and remediation plan
No review or segregation of duties in place for the process of calculating and posting PPE revaluations to the ledger in 2021/22.	!	Prior to the posting of the revaluation entries, the entries should be reviewed in detail by a senior member of the finance team.	The Council have implemented a more robust control for the 2022/23 financial year where a detailed review is undertaken by senior finance team members of PPE revaluation entries prior to posting.

2.6 Other Significant Findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The Council's Annual Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (the "Code"). Following our audit work, we are satisfied that the accounting policies are appropriate.

Significant matters discussed with management:

We have discussed the Council's response to the national issue arising relating to RAAC, which is discussed further on page 13.

Regulatory change

IFRS 16, Leases, was due to come into effect on 1 April 2022, however, has been deferred to be effective from 1 April 2024 and will be included in the 2024/25 Code. Local authorities may adopt it in preceding financial periods if deemed appropriate.

Stirling Council has opted to wait until the implementation date of 1 April 2024. In accordance with the Code, there is therefore no requirement in the 2022/23 accounts to disclose the impact of this upcoming change. This is something that will need to be considered for the 2023/24 accounts as the Council will then need to disclose the expected impact from 1 April 2024.

Liaison with internal audit

The audit team has completed an assessment of the independence and competence of the internal audit department and reviewed their work and findings. In response to the significant risks identified, no reliance was placed on the work of internal audit, and we performed all work ourselves.

We have obtained written representations from the Council on matters material to the Annual Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

2.7 Our Audit Report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.

Our opinion on the Annual Accounts

Our opinion on the financial statements is expected to be unmodified.

Going concern

We have not identified a material uncertainty related to going concern and will report that we concur with management's use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is more relevant to the assessment that the continued existence of a particular body.

Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in any other matter paragraph.

Other reporting responsibilities

The Annual Accounts is reviewed in its entirety for material consistency with the Annual Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 21.

2.8 Your Annual Accounts

We are required to provide an opinion on the auditable parts of the Remuneration report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

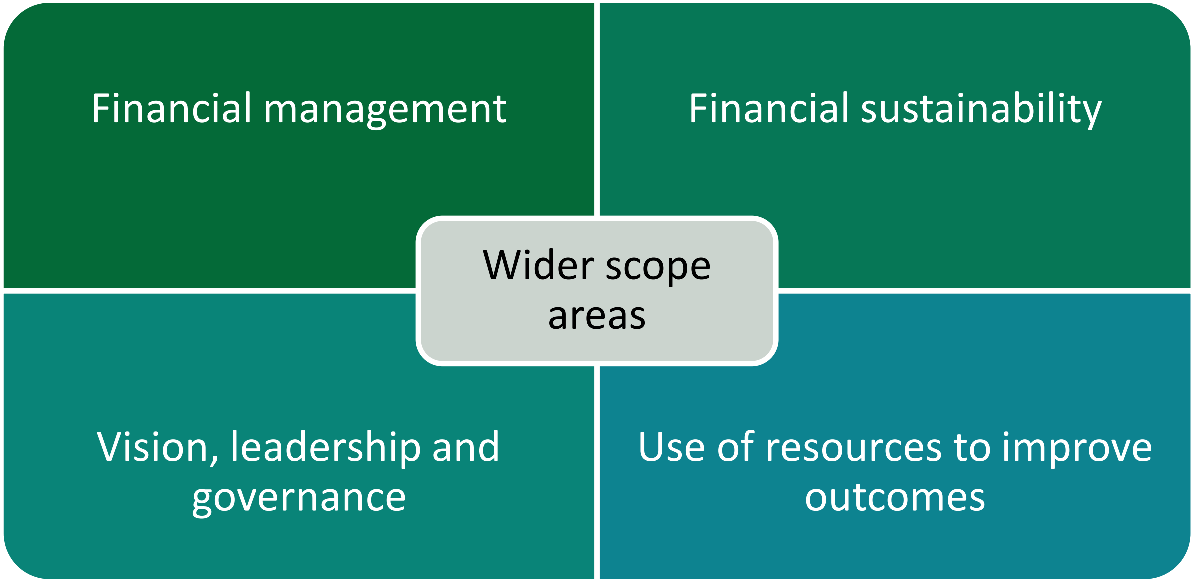
	Requirement	Deloitte response
Management Commentary	The report outlines the Council's performance, both financial and non-financial. It also sets out the key risks and uncertainties faced by the Council.	We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance. We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit and is not otherwise misleading. Following updates made as agreed during the audit, we are satisfied that the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading.
The Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior councillors and Senior Employees of the Council.	We have audited the disclosures of remuneration and pension benefits, pay-bands, and exit packages, and we can confirm that they have been properly prepared in accordance with the regulations.
The Annual Governance Statement	The Annual Governance Statement reports that the Council's governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the Annual Accounts and has been prepared in accordance with the Delivering Good Governance in Local Government Framework. Following updates made as agreed during the audit for minor improvements we can conclude that the Annual Governance Statement is consistent with the Annual Accounts, our knowledge and the accounts regulations.

Wider Scope Audit

3.1 Wider Scope Requirements

Overview

As set out in our audit plan, 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 its planning guidance, Audit Scotland has also highlighted the following national or sectoral risks that the Auditor General and Accounts Commission wish auditors to consider at all bodies during the 2022/23 audits:

- Climate change.
- Cyber security.

Our audit work has considered how the Council is addressing these and our conclusions are set out within this report, with the report structured in accordance with the four dimensions. Our responsibilities in relation to Best Value ('BV') have all been incorporated into this audit work.

3.2 Wider Scope Requirements (continued)

Financial management

Significant risks identified in Audit Plan

We highlighted in our Audit Plan that there is an ongoing risk with the finance team capacity, in particular as a result of the work being done to prepare for the implementation of the new ledger system early in 2023/24. From our planning work and handover from the previous auditors, we did not, however, identify any significant risks in relation to financial management. We therefore restricted our audit work to reviewing the financial management arrangements in place, including the capacity of the finance team which has been considered on the following pages.

Current year financial performance

The **2022/23 General Fund budget** was approved by the Council on 3 March 2022. This was on the basis of maintaining uncommitted reserves at the same level, with no use planned for 2022/23. The budget has been updated throughout the year to include in year movements with the final outturn reporting an overspend of £4.511m (1.8%) against the revised budget. This has significantly reduced in the year, from a projected overspend of £8.416m reported in September 2022. As a result of the overspend, the uncommitted reserves balance has been used to account for this overspend. We have considered the reserves position further on page 30. The Senior Management Team and Councillors regularly review progress against budget throughout the year, with quarterly reporting to the Finance, Economy and Corporate Services Committee. From review of the reporting throughout the year, variances are clearly reported and explained. However, the reporting could be enhanced by incorporating the following:

- A clear reconciliation from the original approved budget to the revised budget updated and reported against during the year.
- Clearly identifying the savings targets incorporated into the budget and then monitoring against these to assess whether they have been achieved as planned. It is currently not possible to establish, from the reporting the Committee, what level of savings have been achieved.

3.3 Wider Scope Requirements (continued)

Financial management (continued)

Current year financial performance (continued)

In setting its budget, the Council recognised a number of key risks, with the future pay negotiations and issues around future local government finance settlements being the most significant risk to the Council. It also highlighted the wider risks reflecting the continued economic uncertainty. These risks have materialised in the year, with the key reasons for the overspend being:

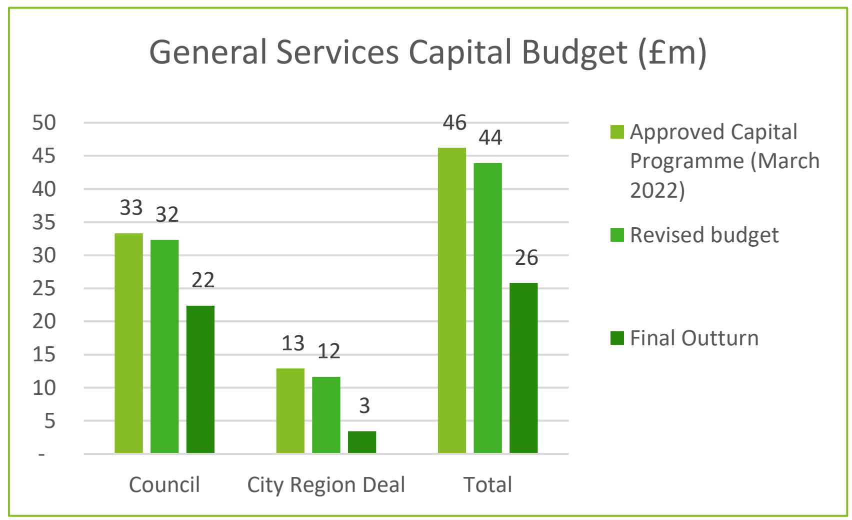
- A net overspend of £1.113m in services, largely as a result of inflationary pressures on PFI/PPP unitary charges and fuel, construction materials and sub-contractor costs, partly offset by some underspends in schools and learning.
- A net overspend of £3.099m in corporate areas, largely as a result of the unfunded element of the 2022/23 pay award of £2.227m.

The **2022/23 Housing Revenue Account (HRA)** budget was agreed by the Council on 17 February 2022, being a balanced position with HRA reserves being maintained at £986,000. Updates have been reported to members throughout the year as part of the normal reporting cycle. The final outturn position was a minor overspend of £146,000, which has been offset by increased income, therefore ended the year in a breakeven position.

The **2022/23 HRA Investment Programme** was agreed at the same time as the HRA budget and has been monitored throughout the year as part of the HRA reporting. The final outturn reported an overspend of £3.5m against the original budget of £18.326m. This has largely arisen due to a £2.5m overspend on new house building as a result of additional costs from the restrictions in place due to the pandemic and increased material costs.

The **2022/23 General Services Capital Programme** was approved by the Council on 3 March 2022, split between the core Council programme and projects in the City Deal.

A comparison of the approved budget, revised budget and final outturn is illustrated below.



3.4 Wider Scope Requirements (continued)

Financial management (continued)

Current year financial performance (continued)

The graph illustrates that a significant underspend has been incurred in the year, with 67% of the core Council programme budget used and only 27% of the City Region Deal budget.

The key reasons for this significant variance are:

- Significant slippage into 2023/24 of £14m;
- Slippage into 2024/25 and 2025/26 of £1m; and
- £3m of the City Region Deal budgets to be re-aligned.

The Council has noted that a worldwide shortage of raw material and cost increases resulted in difficulties in delivering the capital programme in 2021/22 and 2022/23. This, coupled with the cost of fuel and energy price increases, meant that there was continued uncertainty about the full impact on contractors and supply chains to deliver the diverse nature of the Council's capital programme.

Improvements are required to the capital budget setting and monitoring process to ensure that realistic budgets are set, with clear timelines and links with the capital investment requirements of the Council. This should include a clear link to the impact on service delivery or transformation where there is slippage in projects. We have considered the capital planning and asset management further in our separate report "Best Value thematic work 2022/23".

Finance capacity

There have been a number of changes in the finance team during the year, and we note that the position of Chief Finance Officer is currently being recruited for following the departure of the previous CFO in November 2023.

At an operational level, the finance team are significantly stretched, as demonstrated by the quality dashboard on page 7 where there were delays in information being provided for audit, and the quality of some of the evidence was not where we would expect it to be. This is, to a large extent, as a result of the Council implementing a new Enterprise Resource Planning (ERP) system which a large proportion of the finance team time has been re-directed to and therefore impacting their day to day responsibilities.

We have considered the progress with the ERP implementation in more detail on page 36.

3.5 Wider Scope Requirements (continued)

Financial management (continued)

Internal controls and internal audit

The Council has comprehensive financial regulations in place, which were last reviewed and updated in January 2020.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2022/23. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The capacity within the internal audit team has also been impacted by the implementation of the ERP system. Between September 2021 and February 2023, one of the team has been on secondment to the ERP project. In addition, from April 2022, another member of the team moved from full time to part time. As part of a wider review of resourcing across the Governance Service, an additional full--time member of the team took up post in June 2022 to allow the Internal Audit team to fulfil the assurance and consultancy elements of the requirements set out in the Public Sector Internal Audit Standards.

The 2022/23 Internal Audit Plan was approved by the Audit Committee in August 2022. Ordinarily the Plan would have been presented to the Committee for approval in March or April, however, as a result of the local government elections in May 2022, the plan was presented later.

The plan included 745 audit days assigned across a number of assignments. Summary reports are provided to the Committee for each assignments.

All agreed actions arising from Internal Audit assignments are monitored during the year, with the Internal Audit team seeking confirmation from Services that agreed actions have been implemented in line with target dates. Verification work is performed on a sample of actions. The latest report to the Audit Committee in August 2023 highlighted that 17 'High Priority' actions remained outstanding beyond their original target date. These continue to be monitored by internal audit. It is important that actions are addressed on a timely basis to ensure that the risks identified from the audit work are appropriately mitigated.

The Internal Audit Annual Assurance Report for 2022/23 was considered by the Audit Committee in June 2023. This concluded that sufficient work was undertaken to support a balanced assurance and that the Audit Service Manager could provide "substantial assurance" on the Council's arrangements for risk management, governance and control in 20223/23.

Five, out of the agreed 22 assignments, have been carried forward into the 2023/24 plan. While this has not impacted on the ability of the Audit Service Manager to provide overall assurance, the Audit Committee should closely monitor any further impact of resourcing issues across the internal audit team.

3.6 Wider Scope Requirements (continued)

Financial management (continued)

Standards of conduct for prevention and detection of fraud and error

We have assessed the Council's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the Audit Scotland's publication "Fraud and irregularities 2021/22 – sharing risks and case studies to support the Scottish public sector in the prevention of fraud". Overall, we found the Council's arrangements to be designed and implemented appropriately.

National Fraud Initiative (NFI)

All Councils are participating in the most recent NFI exercise. We have monitored Stirling Council's participation and progress in the NFI exercise. A report was considered by the Audit Committee in August 2023 as part of a wider corporate fraud plan update. This confirmed that a total of 3,259 matches were made available to the Council's Counter Fraud Officer, with 180 marked as high risk and 561 as medium risk. A total of 1,126 matches have been fully investigated providing a high degree of positive assurance. Of these, 1,121 have been closed and no fraud or error identified. The other 5 have resulted in further action being taken relating to individuals who have fraudulently claimed or been erroneously awarded Council Tax reduction with overpayment being recovered in full. Work is continuing in relation to the remaining matches. We have therefore concluded that the Council is fully engaged in the exercise.

Deloitte view – financial management

The Council continues to have effective budget setting and monitoring arrangements in place. The reporting could be enhanced to provide more information on changes in budgets and progress against savings. The capital budget setting and monitoring arrangements should also be reviewed to ensure that realistic budgets are set with clear timelines and a clear linkage to Council priorities.

The finance team has seen a number of changes in the year and is being significantly impacted by the implementation of the ERP system. This continues to increase the pressure on the capacity of the finance team to support the financial management arrangements within the Council. We will continue to monitor this through our audit appointment.

A robust independent internal audit function is in place and there are appropriate arrangements for the prevention and detection of fraud and error. The implementation of the ERP system has also impacted on the capacity of the internal audit team. This needs to be closely monitored by the Audit Committee.

3.7 Wider Scope Requirements (continued)

Financial sustainability

Can short-term (current and next year) financial balance be achieved?

Is there a medium and longer-term plan in place?

Is the body planning effectively to continue to deliver its services or the way in which they should be delivered?

Financial Sustainability

Significant risks identified in Audit Plan

In our audit plan we highlighted that while the Council had 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 was based on the following factors:

- The overspend on the revenue budget reported throughout the year, impacting on the balances held as general reserves;
- Pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income; and
- Indicative funding gaps identified for 2024/25 and 2025/26.

We have considered these aspects on the following pages.

2023/24 budget setting

The Council approved a balanced budget of £286.955m for 2023/24 on 2 March 2023. The paper presented to members included an initial budget gap of £17.648m (6% of the Council's expenditure) and it included reference to one-off options which were then taken forward by the Administration. Savings options were developed with elected members in January and February 2023 in advance of the formal budget meeting. Following the approval of the budget, an urgent meeting of the Council was held on 9 March 2023 to discuss specific funding for a charity that had been approved as part of the budget on 2 March 2023. As a result of further information coming to light around additional funding from the Scottish Government to the charity concerned, the Council agreed at its meeting on 30 March 2023 to reverse its decision and removed £392,000 funding allocation and re-allocated the same amount across a number of other areas. It is not clear to what extent the revised allocation were considered in terms of the wider Council priorities. In setting its budget, the Council needs to provide greater clarity on how its decisions link with its agreed priorities.

Financial sustainability

2023/24 budget setting (continued)

One of the options put forward to balance the budget was in relation to Service Concession Financial Flexibility. The Scottish Government published Finance Circular 10/2022 in September 2022, which allowed Councils to apply additional flexibility to accounting treatment of PFI/PPP service concession arrangements in place prior to 1 April 2022. Councils are permitted to apply the flexibility in either 2022/23 or 2023/24. The guidance gives Council's the ability to reprofile principal repayments relating to PFI/PPP contracts over the life of the asset as opposed to the service contract. Stirling Council has opted to apply this flexibility, resulting in a one-off financial benefit of £27.4m, with the benefit commencing from 2023/24. As noted below, the Council has agreed to use £3.712m of this benefit to balance the 2023/24 budget.

In order to agree a balanced position, members agreed to the following:

Decision	£m
Policy budget savings	1.491
Business as usual savings	4.995
Re-purpose of earmarked reserves	5.350
Use of service concession flexibility in accordance with Scottish Government circular	3.712
Increase Council Tax by 7%	2.100
Total	**17.648**

As illustrated in the table, a large proportion of the agreed approach is based on one-off solutions and therefore not sustainable.

In line with the process for setting the 2022/23 budget discussed on page 23, the Council recognised that the most significant financial risks to the Council relate to the future pay negotiations and the issues around future local government finance settlements. While these are clearly the biggest risks that are faced by all Councils, the Council should also set out within its budget papers proposed mitigating actions against any other specific risks that impact on the achievement of a balanced financial position.

Following the Scottish Government funding announcement in December 2022, briefing sessions and workshops were held with elected members to develop the Council's savings options. The Council has recognised that given the unprecedented challenges facing the Council, engagement with members needs to be much earlier in the process and has changed its approach for 2024/25 which we have considered further on page 33.

We have also considered how the Council engaged with communities as part of the budget setting process as part of the separate management report "Best Value thematic work 2022/23".

3.9 Wider Scope Requirements (continued)

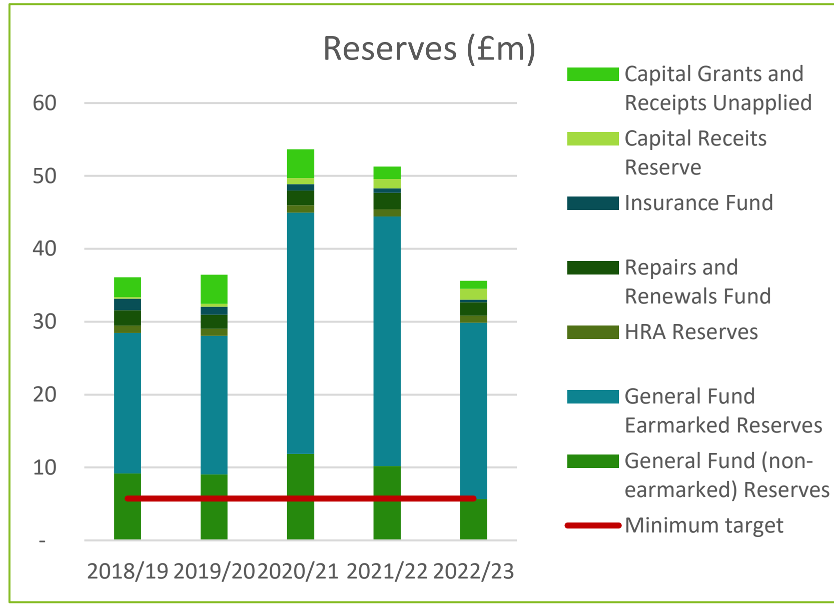
Financial sustainability

Reserves

At the time of approval of the 2023/24 budget on 2 March 2023, the Council carried out its annual review of its Reserves Strategy and agreed to maintain its target level of uncommitted reserves to be between 2% and 2.5% of budget for 2023/24.

As discussed on page 23, the Council ended 2022/23 in an overspend position and as a result was required to use uncommitted reserves to support this outcome. This resulted in the uncommitted reserves reducing from £10.193m to £5.682m. At the time of setting the budget, the projected overspend was slightly higher which would have resulted in the uncommitted reserves balance to reduce to below the minimum of 2%. The Council therefore agreed as part of setting its budget to use some of the benefit from the service concession flexibility to top-up the uncommitted reserves by £1m. This approach is unsustainable in the medium to longer term.

The reserves position as at 31 March 2023, and the previous four years is illustrated opposite:



As of November 2023, the non-earmarked general fund reserve was at the minimum target level, therefore any further overspends and unplanned costs in 2023/24 could impact on the short-term financial sustainability of the Council. The latest monitoring report to the Finance, Economy and Corporate Support Committee in February 2024 is projecting an overspend which would bring the level of reserves to below the minimum 2%, however we note that the reserves position has improved in 2024 and is not forecast to fall below the 2% target. In our view the risk to financial sustainability remains significant.

3.10 Wider Scope Requirements (continued)

Financial sustainability

Reserves (continued)

The overall reserves position is showing a significant reduction from previous years, with 2020/21 and 2021/22 significantly impacted by the additional funding as a result of the Covid-19 pandemic. The total value is now in line with pre-Covid-19 reserve balances, which are largely earmarked for specific purposes.

A detailed review of all earmarked reserves was carried out as part of the 2023/24 budget setting process. Within this it was noted that of the £34m earmarked reserves carried forward from 2021/22, £17m remained at February 2023 and £12m has been committed to meet future spend, resulting in £5m being released and re-purposed to help balance the 2023/24 budget. There is currently no reporting on progress with the use of the earmarked reserves as part of the regular monitoring reports to Committee. Given the significant number of earmarked reserves, we recommend that the monitoring reports are expanded to give members an update on progress with the use of these reserves to ensure that they are being actively monitored and being applied for the purposes intended.

As discussed on page 30, the Scottish Government has allowed council's flexibility to the accounting treatment of PFI/PPP service concession arrangements. The Council has opted to use this flexibility, resulting in a one-off financial benefit of £27.358m. In approving the 2023/24 budget, the Council agreed to the following use of this balance. It is important that these balances are also incorporated into the ongoing monitoring of the Council's financial position.

	£m
Support balancing the 2023/24 budget	3.712
Top-up uncommitted reserves	1.000
Voluntary severance provision	7.000
Invest to Save Fund	3.000
Community Empowerment and Capacity Fund	1.300
Economic Development Fund	1.500
Scottish Welfare Fund top-up	0.200
Public Transport Pilot	0.030
Inflation and Risk Reserve	9.616
Total	**27.358**

We would also recommend that the Council review the need for such a large number of earmarked reserves (currently over 150 separate earmarked reserves ranging from balances less than £5,000 to £6m) and whether these should be getting managed as part of the individual services budgets rather than being treated separately as reserves. The administrative burden of managing and monitoring over 150 separate reserves is excessive.

3.11 Wider Scope Requirements (continued)

Financial sustainability

HRA and Capital Investment 2023/24

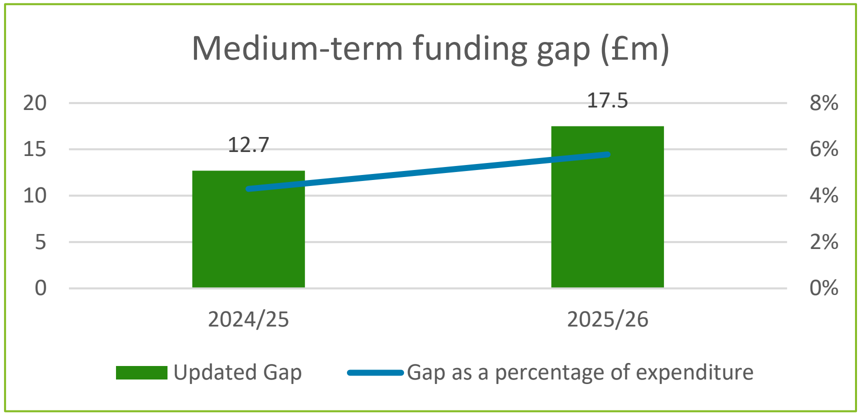
The HRA revenue budget and Capital Investment Programme for 2023/24 was approved by the Council on 16 February 2023. This included approval of the HRA Rental Strategy, where a rent increase of 2.9% was approved. Total capital investment approved of £18.026m, which is to be funded by:

- Capital funded from Revenue - £7.2m.
- Prudential borrowing - £5.477m.
- Grant funding from the Scottish Government for new housing - £4.2m.
- Additional Scottish Government funding (energy efficiency) - £949,000.
- Strategic Housing Account - £200,000.

We have considered the Council's capital and asset management arrangements further as part of the separate management report "Best Value thematic work 2022/23", including the development of a Capital Strategy.

Medium-to-long term financial planning

At the same time as setting the 2023/24 budget, the Council set out indicative financial plans for the following two financial years. The latest indicative gap over the two years is illustrated opposite.



As explained on page 29, a number of one-off solutions were agreed to address the gap in 2023/24, however, but there are currently no plans in place to address the expected gaps in future years. The Council is therefore not financially sustainable in the medium-term. The Council has recognised that this as an increasing risk on its Strategic Risk Register and management are currently working on a Medium-Term Financial Plan (MTFP), which is due to be considered by members in 2024/25. It is critical that this is developed, with clear actions on how financial sustainability is to be achieved.

Audit Scotland's report in June 2014 Scotland's public finances – A follow-up audit: Progress in meeting the challenges (audit-scotland.gov.uk) includes a helpful summary of important features of a financial strategy, as summarised on the following page. We would recommend that management use this as a reference for developing its medium-to-long term strategy.

3.12 Wider Scope Requirements (continued)

Financial sustainability

Medium-to-long term financial planning (continued)

Area	Important features of a financial strategy
Period	A financial strategy should cover 5-10 years.
Cost	A clear understanding of the business model and the cost of individual activities within it
Savings options	Evidence based options for achieving savings
Savings details	Details of one-off and recurring savings
Scenario planning	Scenario planning to outline best, worst and most likely scenarios of the financial position and the assumptions used
Assets/Liabilities and Reserves	Details of assets, liabilities and reserves and how these will change over time
Capital Investment Activity	Details of investment needs and plans and how these will be paid for
Demand	An analysis of levels of service demand and project income
Funding shortfalls	Any income or funding shortfalls and how to deal with these
Strategy links	Clear links to the corporate strategy and other relevant strategies such as workforce and asset management
Risks and timescales	The risks and timescales involved in achieving financial sustainability

In addition to the development of a Capital Strategy and MTFP, the Council has recognised that the Council is facing unprecedented challenges and as a result, early engagement is needed in the run up to the 2024/25 budget setting. The following action has been taken to date:

- A budget delivery group has been established, comprising officers and members, with the first meeting held in May 2023.
- A budget delivery framework has been implemented, which includes the following key workstreams:
  a) Perform detailed service level reviews.
  b) Further develop transformation/service redesign programme at pace.
  c) Engagement with Elected Members.
  d) Engagement with public.
  e) Draft the MTFP and Capital Strategy.

The above approach is a positive step and acknowledges that management recognise that whilst ongoing transformation and service redesign of the Council is a priority, service reduction will also be required to achieve medium to long-term financial sustainability. It is critical that the early engagement and buy-in of elected members and the public is progressed to ensure that there is sufficient lead in time to make the necessary changes in advance of the start of 2024/25 to deliver the full year impact of the savings agreed.

3.13 Wider Scope Requirements (continued)

Financial sustainability

Transformational change

A Stirling Future Board was established in June 2021 to oversee the "Vital Few" transformation programme initiatives. These programmes, listed opposite, were identified as being likely to deliver significant returns on investment, or were likely to deliver step-change across the entire organisation. With the exception of the ERP programme (discussed further on the following page) and the Legal Case Management and Democratic Services Systems project, the other programmes are at a less advanced stage.

A Transformation Team is in place to support the organisation and services to develop business cases, ensure a robust governance process is in place to manage the transformation programmes and develop a standard set of templates and documentation for all staff to use.

The last Transformation Team update to elected members was in June 2022.

In view of the significant financial challenges faced by the Council, its approach to transformation has been recently refreshed with eight transformation themes agreed as summarised opposite. Each theme has been assigned a lead Senior Responsible Owner (SRO) from within the Senior Management Team (SMT) and have been asked to identify:

- Type of Resource Required;
- Who can be released from current teams;
- Review other work that could be stopped or reduced; and
- Backfill requirements.

In addition to the Vital Few programme and the newly agreed themes, other areas are reported and monitored by the Stirling Transformation Board including the City Region Deal, Implementing the Promise in Stirling and Health and Social Care Partnership (HSCP).

Vital Few programmes

- Enterprise Resource Planning (ERP) Programme
- Climate Emergency Planning
- Target Operating Model
- Social Care Replacement System
- Legal Case Management and Democratic Service Systems
- Waste Transformation
- Covid Recovery Programme

Transformation themes

- People Strategy
- Digital First
- Digital Service Centre
- Procurement and Spend Review
- Property Rationalisation
- Income Maximisation
- Operational Front Line Service Redesign
- Partnership Working and Shared Services

3.14 Wider Scope Requirements (continued)

Financial sustainability

Transformational change (continued)

Each SRO reports into the Stirling Transformation Board to monitor progress. Cross cutting groups also sit alongside the Transformation Board, reporting into the Chief Executive as the SRO of the overall programme, as illustrated opposite.

Key requirements to achieving successful transformational change are ensuring that there is sufficient capacity and resources to deliver the change required and appropriate governance structure in place. While the agreement of the transformational themes is a positive step and there is an extensive programme or work being discussed at the Transformation Board, there is a need for this to be streamlined into a concise programme, with clear priorities and associated resources at a leadership level to drive forward the change. Significant work is still required to make the level of transformational change needed.

The Council need to ensure that it has the necessary skills and resources to implement the plans when developed. Responsibility for each workstream is currently sitting with members of the SMT, with no separate dedicated resource in place to drive forward the change needed as of November 2023. Subsequently in 2024, a Business Change and Transformation Team has been established.

The transformation programme needs to be fully aligned to the development of the MTFS by:

- Adding greater detail about individual projects;
- Setting clear timelines for each project;
- Assess the resources and support required to deliver these projects; and
- Developing a benefits realisation tracker to assess whether the Council has achieved its aims.

In 2021, the Council approved the purchase and implementation of an ERP solution to replace the core finance, procurement, HR and payroll and customer management systems. The ERP system implementation is overseen by the Stirling Transformation Board as part of the Council's transformation programme, with its own dedicated ERP Programme Board, Programme Team and Workstream leads.

3.16 Wider Scope Requirements (continued)

Financial sustainability

Deloitte view – Financial sustainability

The Council has set a balanced budget for 2023/24, however, this was only achieved by using one-off solutions including use of reserves and service concession flexibility which is unsustainable. The level of uncommitted reserves as of 31 March 2023 was at the lower end agreed in the Council's reserves strategy and the latest monitoring reports for 2023/24 indicate an overspend is projected which would reduce the uncommitted reserves to below the minimum level. Subsequently the reserves position has improved in 2024. While management are in the process of preparing a Medium-Term Financial Plan, funding gaps of £12.7m and £17.5m are projected over the next two years. The Council is therefore not financially sustainable and urgent action is required.

The early engagement in preparing for the 2024/25 budget is a positive step and management recognise that whilst ongoing transformation and service redesign of the Council is a priority, service reduction will also be required to achieve medium to long-term financial sustainability. The Council is faced with having to make difficult decisions to achieve financial sustainability therefore it is critical that the early engagement and buy-in of elected members and the public is progressed to ensure that there is sufficient lead in time to make the necessary changes in advance of the start of 2024/25 to deliver the full year impact of the savings agreed.

While the agreement of the transformational themes is a positive step and there is an extensive programme or work being discussed at the Transformation Board, significant work is still required to make the level of transformational change needed. Greater detail is required for each project, with clear timelines, assessment of the resources and support needed and a comprehensive benefits realisation tracker.

As one of the ongoing transformation projects, the ERP implementation has seen significant delays and as a result the anticipated savings are unlikely to be realised when initially planned. The delay is also impacted by the availability of resources being made available from services, which then have a corresponding impact on business-as-usual work within each service. There therefore remains a significant risk in fully implementing the ERP system. A Business Change Strategy and Plan needs to be developed to ensure successful delivery of the expected benefits of the project.

3.17 Wider Scope Requirements (continued)

Vision, leadership and governance

Are the scrutiny and governance arrangements effective?

Is leadership and decision making effective?

Is there transparent reporting of financial and performance information?

Vision, leadership and governance

Significant risks identified in Audit Plan

In our audit plan, we highlighted that following the local government elections in May 2022, the new Council administration agreed its 10 strategic priorities, setting 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 underlying these priorities to ensure they are delivered. We have considered this risk on the following pages.

Vision and strategy

We have considered the Council's vision and strategy, and associated community engagement as part of the separate management report "Best Value thematic work 2022/23".

Leadership

We have considered the Council's leadership as part of the separate management report "Best Value thematic work 2022/23".

Governance and scrutiny arrangements

A revised Local Code of Corporate Governance was approved by the Audit Committee in August 2022. The revised Code is consistent with the best practice and good governance principles set out in the Delivering Good Governance in Local Government Framework.

The Audit Committee plays a key role in the governance arrangements of the Council and in line with best practice is chaired by a member of the Opposition. While the Audit Committee prepares an annual report setting out the members and meetings held during the year, the activities and decisions taken and provides an annual assurance statement to the Council, there is no formal self-evaluation of the effectiveness of the Committee in order to ensure that the governance and scrutiny framework is continually improving. We therefore recommend that the Audit Committee carries out an annual self-assessment, with the results published as part of its annual report.

3.18 Wider Scope Requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements (continued)

Reference should be made to the CIPFA Position Statement: Audit Committees in Local Authorities and Police published in 2022, along with the associated self-assessment of good practice checklist Support for audit committees (cipfa.org). This would allow the Committee to identify any training needs or changes to the operation of the Committee. We are pleased to note that the Committee agreed at its meeting in August 2023 to carry out a self-assessment.

The Audit Committee also plays a key role on monitoring the Strategic Risks of the Council. An updated Risk Management Policy and Plan was approved by the Committee in June 2023, and an updated Strategic Risk Register considered by the Committee in August 2023.

We have reviewed meetings attendance from the past year and confirm that there has been good attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

Transparency of reporting

The Council publishes all minutes and papers of all Committees on its website. All Committees and Panel meetings are also broadcast live, with recording available on the website. However, the structure of the website is very difficult to navigate and therefore papers for meetings are not readily accessible. We therefore recommend the Council review the structure of the website this to make these papers more readily available.

Deloitte view – Vision, leadership and governance

Our view of the vision and leadership of the Council has been considered as part of the separate management report “Best Value thematic work 2022/23”.

The Local Code of Corporate Governance was recently revised and is consistent with the best practice and good governance principles set out in the Delivering Good Governance in Local Government Framework.

The Audit Committee plays a key role in the governance arrangements. In line with best practice, we have recommended that the Committee carries out an annual self-assessment to allow it to identify any training needs or changes to the Committee.

The Council continues to be open and transparent, with all Committee and Panel meetings broadcast live and available on the website. The structure of the website could be improved to make the access to agendas and papers more readily available.

3.19 Wider Scope Requirements (continued)

Use of resources to improve outcomes

Are resources being used effectively to meet outcomes and improvement objectives?

Is there effective planning and working with strategic partners and communities?

Is Best Value demonstrated, including economy, efficiency and effectiveness?

Use of resources to improve outcomes

Significant risks identified in Audit Plan

In our audit plan we highlighted that given the financial challenges faced by the Council and the changes in priorities, there is a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement.

Performance management framework

We have considered the Council's performance management framework, and how it aligns to the Council's vision and priorities, as part of the separate management report "Best Value thematic work 2022/23".

Statutory performance indicators

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 (BV) audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public. The Accounts Commission Statutory Performance Information Direction requires a council to report a range of information in the areas listed below

SPI 1: Improving local services and outcomes

- Performance in improving local public services, both provided by the Council an in conjunction with its partners and communities.
- Progress against desired outcomes agreed with its partner and communities.

SPI 2: Demonstrating Best Value

- The Council's assessment of how it is performing against its duty of BV, including self-assessments and service review activity, and how it plans to improve against this assessment;
- Audit assessments (including those in the annual audit) of how its performance against its Best Value duty, and how it has responded to these assessments; and
- Assessments from other scrutiny and inspection bodies, and how it has responded to these assessments.

3.20 Wider Scope Requirements (continued)

Use of resources to improve outcomes

Statutory performance indicators (continued)

We have evaluated the effectiveness and appropriateness of the arrangements that the Council has in place, including the appropriateness of the information provided to members in responding to the Direction and concluded as follows:

- The Council produces an annual performance report demonstrating its performance across its strategic priorities, and closely aligning with the Community Planning Partnership strategic outcomes;
- Performance information is considered by the relevant Service Committee;
- The Council participates in the Local Government Benchmarking Framework (LGBF) which brings together a wide range of information about how all Scottish Council's perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them; and
- Performance reporting dashboards are provided on the Council's websites for various services of the Council.

Based on the above, we are satisfied that the arrangements are appropriate. As discussed in more detail in our separate management report "Best Value thematic work 2022/23", the Council has only recently updated its Key Performance Indicators (KPIs) to support its priorities that were agreed in December 2022.

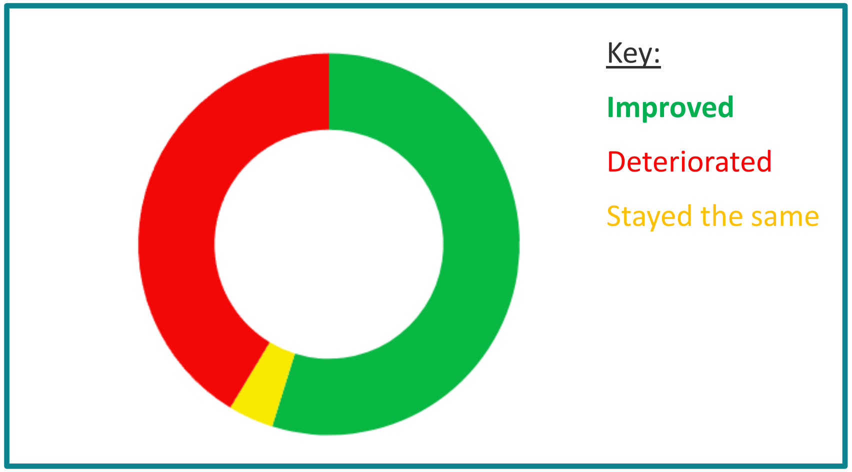
Self-evaluation arrangements

We have considered the Council's self-evaluation arrangements, as part of the separate management report "Best Value thematic work 2022/23".

Performance data

The graph below shows the proportion on LGBF Indicators that have improved, deteriorated or stayed the same over time, based on the latest data available from the Improvement Service.

We have also provided a summary of the latest performance reported by the Council on pages 48 to 49. This incorporates a summary of the performance of its KPIs to monitor its strategic priorities, and a summary of the indicators that are reported as part of the LGBF.



3.21 Wider Scope Requirements (continued)

Use of resources to improve outcomes

Performance data (continued)

This data demonstrates that:

- a high proportion of the KPIs are in line with the desired trends;
- Almost 50% of LGBF indicators are showing a decreasing level of performance;
- There is a large swing in ranking across Scotland, with 46 indicators showing a positive ranking change, offset partly by 41 showing a negative change; and
- This swing is less visible when comparing with Family Groups, with 27 indicators showing a positive change, offset partly by 25 showing a negative change. 48 Indicators have remained ranked the same when comparing with Family Groups.

Deloitte view – Use of resources to improve outcomes

Our view on the Council's performance management framework has been considered as part of the separate management report "Best Value thematic work 2022/23".

There are appropriate arrangements in place to comply with the SPI Direction, including its public performance reporting requirements.

3.22 Wider Scope Requirements (continued)

Best value

Requirements

It is the duty of the Council to secure Best Value as prescribed in Part 1 of the Local Government in Scotland Act 2003*.* We have a statutory duty to be satisfied that the Council have made proper arrangements for securing BV.

Conclusions from Audit Work

Under the new Code of Audit Practice, the audit of Best Value is fully integrated within the annual audit work. We have evaluated and reported on the performance of the Council in meeting its Best Value duties as follows:

1. **Follow-up and risk-based work.** We have followed up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports (BVAR) on page 45 to 47 and the Annual Audit Reports on pages 66 to 70. Our risk-based work is considered on pages 24 to 43.

2. **Service Improvement and reporting.** We have assessed how effectively the Council demonstrates service improvement on pages 42 to 43. We have provided a summary of the information the Council reports publicly on its service performance on pages 48 to 49.

3. **Thematic reviews.** We have reported our conclusions on the thematic work for 2022/23 on “the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the election in May 2022” in our separate management report, issued at the same time as this report.

4. **Contributing to Controller of Audit reports.** Stirling is due to be reported to the Accounts Commission in year 4 of our appointment (2026/27).

Deloitte view – Best Value

The Council has appropriate and effective best value framework in place and has continued to make positive progress in addressing the recommendations contained in the 2019 BVAR. The Council has a clear understanding of areas which require development.

Financial sustainability is the biggest risk that the Council face and it is critical that plans are developed at pace, with comprehensive engagement with elected members and the community. The Council is faced with having to make difficult decisions to achieve financial sustainability, therefore early engagement and buy-in is essential.

3.23 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings

Best Value Assurance Report

We have assessed the Council's progress against each of the recommendations made, as summarised in the table below. Of the 10 recommendations, 6 have been complete.

Recommendation – August 2019	Status	2022/23 Update
1. The council needs to introduce a structured approach to self-evaluation to deliver continuous improvement. In particular, the performance management framework needs to be refined to identify and prioritise areas for improvement in line with the council's priorities.		Reported as 80% complete. The Council's Continuous Improvement and Self-assessment approach was approved by the OGB in November 2022. An annual plan is now in place and the 2022/23 programme underway. This includes the four PSIF service based self-assessments and the improvement work delivered through the Business Management System. It is anticipated that the need for Service Design projects will flow from the improvement actions identified from the four PSIF self-assessment exercises.
2. The council should demonstrate that they use benchmarking and customer satisfaction information to identify areas for improvement and identify other councils that they could discuss good practice with.		Reported as 80% complete. Stirling Council's 2022 Residents' Survey commenced in September 2022 and the results will provide baseline customer satisfaction measures to evaluate improvement against future surveys. A new customer service strategy is planned for the 3rd quarter of 2023.

3.24 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – August 2019	Status	2022/23 Update
3. Performance reports for councillors should be refined to include key indicators which show performance over time against the council's priorities.	●	Reported as completed. Ongoing annual service planning process in place, with delivery plan actions linked to Council Key Priorities. Key Priority Reports produced quarterly for Elected Members. As discussed further in our separate report "Best Value thematic work 2022/23", comprehensive service plans have still to be developed to align to the Council's new priorities.
4. The council needs to improve its public performance reporting, to show a summary of the council's performance against the business plan objectives.	●	Completed. The Council Annual Performance Report has been reviewed and information is now grouped under the Council Key Priorities. Additional performance indicators have been added to provide a more rounded picture of performance.
5. Councillors should increase attendance at training courses and agree on actions to improve attendance rates. Personal development plans for councillors should be considered.	●	Completed. A variety of training courses and conferences have been attended by Councillors and training and attendance records are available for the past 5-years. As discussed further in our separate report "Best Value thematic work 2022/23" we continue to recommend personal development plans are developed in line with best practice.

3.25 Wider Scope Requirements (continued)

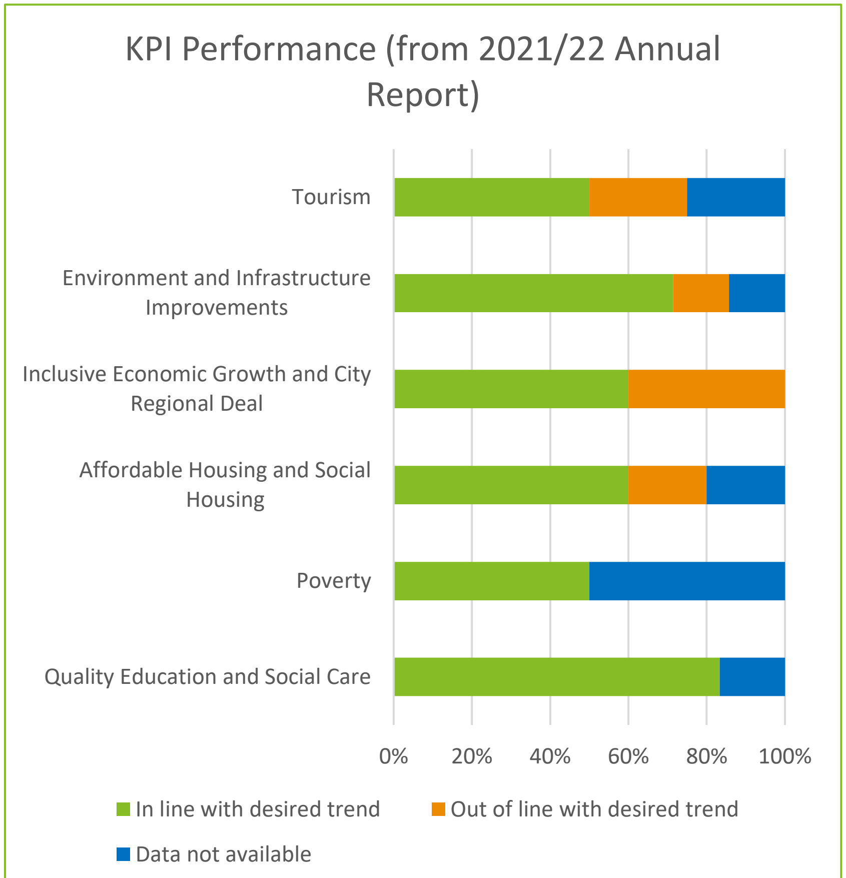
Follow-up on Accounts Commission findings (continued)

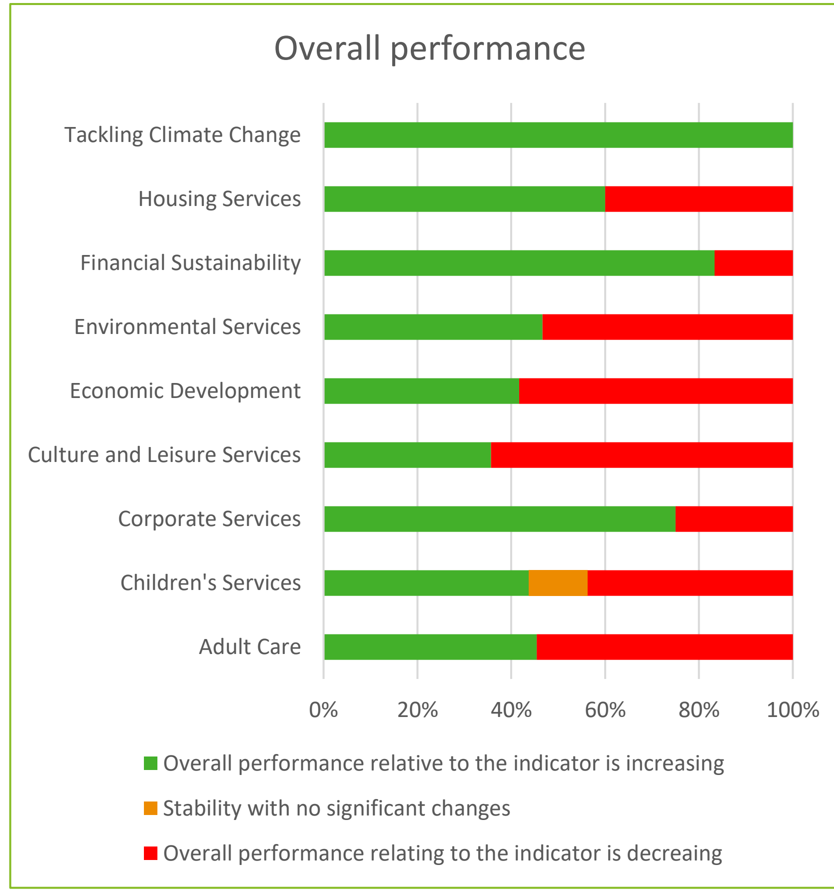
Recommendation – August 2019	Status	2022/23 Update
6. The council should develop a more regular and structured approach to staff consultation and engagement.		Reported as 75% complete. Work continues to implement the new ERP system. This includes functionality which will enable vast improved communication and engagement with employees.
7. The council should complete its residents' satisfaction survey in 2019 and demonstrate how it uses the results to inform future council decisions.		Reported as 60% complete. The 2022 survey was held in October and November 2022 and the results will be taken to the council in March 2023. Services will use the outputs form the survey to create improvement action plans.
8. The council needs to approve the three outstanding locality action plans without delay, to comply with the requirements of the Community Empowerment (Scotland) Act 2015.		Completed. All 8 locality action plans are now complete and final.
9. The CPP should complete its review of reporting structures and report performance against its local outcome indicators.		Completed. CPP reporting structure is complete. Framework now implemented.
10. The council should review and report on whether the structure of its ALEOs remain fit for purpose		Completed. A report was presented to the Finance and Economy Committee on the ALEOs and Economic Partnership Review. 6-month reports on relevant ALEO and Strategically Funded Operations are included on the Community Planning and Regeneration Committee workplan.

3.26 Wider Scope Requirements (continued)

Service performance

The below data summarises the number of KPI's where performance was either in line with desired trend, out of line with desired trend or where data is not available, against the Council's six Strategic Priorities, as reported in its 2021/22 Annual Report.



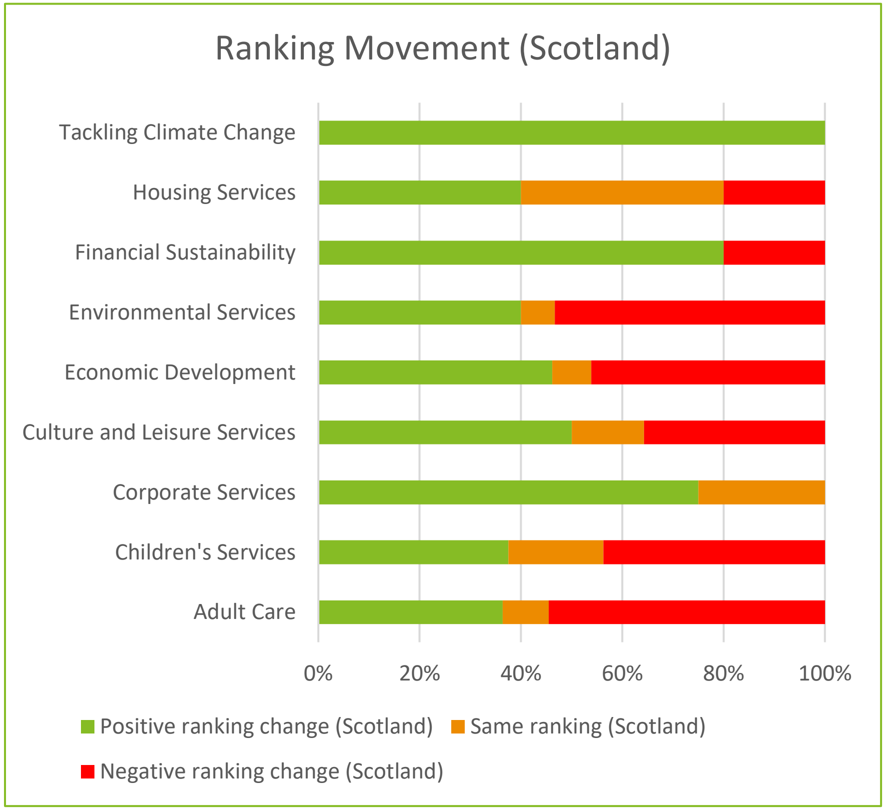


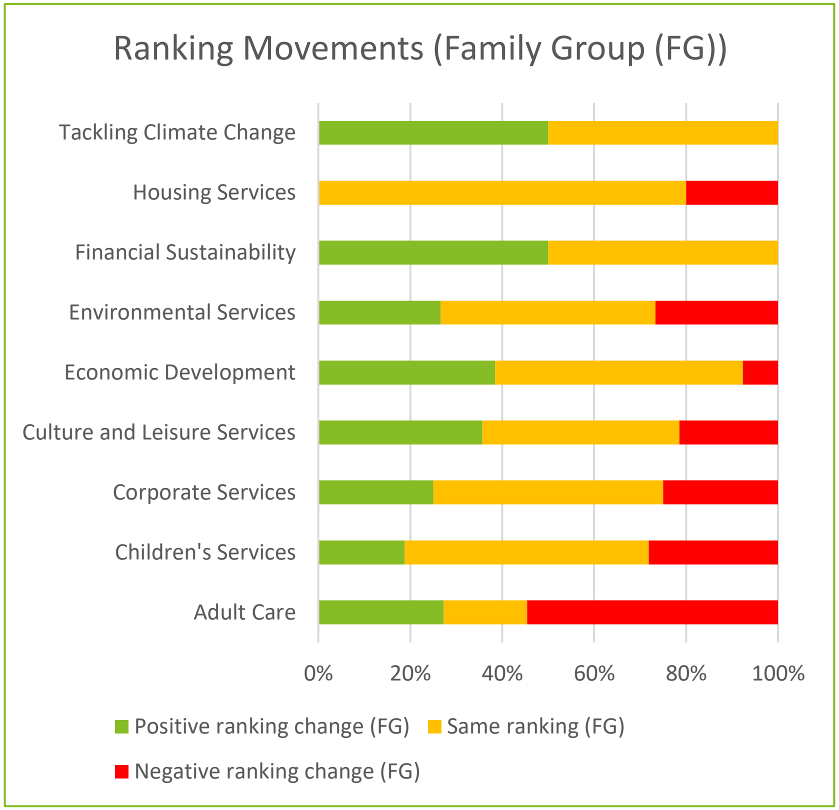
The above data summarises the number of KPIs within each service where overall performance relative to the indicator is increasing, stable or decreasing, as reported in the LGBF report for 2020/21.

3.27 Wider Scope Requirements (continued)

Service performance (continued)

The below data summarises how Stirling Council's ranking has moved, relative to the whole of Scotland, as reported in the LGBF report for 2020/21.





The above data summarises how Stirling Council's ranking has moved, relative to its Family Group, as reported in the LGBF report for 2020/21.

3.28 Wider Scope Requirements (continued)

Climate change

Risks identified in Audit Plan

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impact of climate change.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work. For the 2022/23 audit, we have provided responses to a series of questions supplied by Audit Scotland to gather basic information on the arrangements for responding to climate change in each body. These are summarised below. We have taken cognisance of the work carried out by Internal Audit, as reported in its report "Ecological Emergency and Climate Change" published in October 2023 as part of our responses.

Question	Stirling Council's position
1. What targets has the body set for reducing emission in its own organisation or in Its local area?	The Council, within its Climate and Nature Emergency (CaNE) Plan, sets out its overall target in line with the national targets, to achieve net zero carbon by 2045 and be carbon neutral for its own operations by 2035. The plan then sets out now the individual national targets are translated to the Stirling Council area, both for interim targets and the 2045 target. As highlighted in Audit Scotland's publication Scotland's councils' approach to addressing climate change | Audit Scotland (audit-scotland.gov.uk), Stirling Council is one of a small number of Councils to have explicitly stated interim targets to reduce area-wide emissions.
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?	The Council approved a CaNE Plan in 2021 to cover the period 2021-2045. This set out a clear vision, to be delivered through five objectives and each objective implemented in three ways – Lead, Enable and Inspire. Failure to proportionately respond to the ongoing ecological emergency and climate change is also recognised a s high risk on the Strategic Risk Register. The Plan includes a 5-year Action Plan setting out key actions over the first 5-years of the Plan and recognises that action plans will continue to be refined to 2045. The Council have ambitious plans in place, which are needed if Scotland is to meet its climate change goals. It is essential that as detailed delivery plans are developed, the Council is transparent about the gaps and challenges that exist in achieving its targets.

3.29 Wider Scope Requirements (continued)

Climate change (continued)

Question	Stirling Council's position
2. Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets? (continued)	Audit Scotland's publication Scotland's councils' approach to addressing climate change | Audit Scotland (audit-scotland.gov.uk), recommends that plans should include detailed route maps that set out: • Interim targets to track progress towards longer-term targets; • How and to what extent individual actions will contribute to emissions reductions; • Costs and budgets for the intended actions, gaps in financing and intended actions to secure funding; • How actions to reduce emissions might have co-benefits for, or impact on, adaption actions; and • A clear timetable for reviewing actions and publishing update reports on progress. Internal Audit has made a number of recommendations as part of its review which included the need for all corporate policies across to be reviewed to ensure they incorporate net-zero and the need to develop a timeline for developing the Climate Emergency Planning Programme business case to determine the level of cashable and non-cashable benefits that will be achieved, and the estimated level of funding and source(s) of funding required to deliver the CaNE Plan.

3.30 Wider Scope Requirements (continued)

Climate change (continued)

Question	Stirling Council's position
3. How does the body monitor and report progress towards meeting its emissions targets internally and publicly	A CaNE Officer Board has been established and leadership has been identified for specific functions to take forward respective programmes. The Board has also established a set of priority working groups that will be developed around the following themes: • Communication planning • Effective net zero decision making • Planning development • Net zero strategic alignment across services and with partners. A Member Officer Group (MOG) was agreed in June 2022 and has met regularly. The working groups are in various stages of development and will report back to the Board and the MOG later in 2023. Formal reporting on progress against the plan is reported to the Environment Transport and Net Zero Committee. In accordance with the Climate Change (Scotland) Act 2009, the Scottish Government Statutory Order from 2015 and the 2020 Climate Change Duties Amendment Order, the Council publishes an annual report "Sustainable Stirling: Public Bodies' Climate Change Duties and Climate and Nature Emergency Plan". The most recent report covers the period April 2021 to March 2022. Internal Audit has made a number of recommendations as part of its review including the need to ensure minutes of meetings record all agreed actions and decisions taken across the various Board's and working groups.

3.31 Wider Scope Requirements (continued)

Climate change (continued)

Question	Stirling Council's position
4. Has the body considered the impact of climate change on its financial statements?	Given the early stages of developing the CaNE Plan, no specific consideration has been given to the impact of climate change on the financial statements. Areas that may need to be considered in the future could include the useful economic lives of assets, new provisions or new sources of uncertainty.
5. What are the areas of the financial statements where climate change has, or is expected to have, a material impact?	Potential impact could be around Property, Plant and Equipment balances, provisions, contingencies and new estimation uncertainties as well as the budgetary implications of the Plan.
6. Does the body include climate change in its narrative reporting which accompanies the financial statements and is consistent with those financial statements?	The Council has included reference to climate change in the Management Commentary as part of its discussion of its key risks. The disclosure is, however, very high level and should therefore be expanded in the future to set out in more detail the Council's exposure to climate-related issues and how it is monitoring and managing these reports. The narrative should include both the Council's impact on the environment and the impact that climate change may have on the Council's future. Hyperlinks could then be added to where further information is published, for example the CaNE Plan and the Annual Report.

Deloitte view – Climate change

Stirling Council has a comprehensive Climate and Nature Emergency Plan and is reporting annually in accordance with the regulation and legislation. Detailed governance arrangements are in place, with various working groups at different stages of development. Internal Audit has made a number of recommendations to improve the governance arrangements as these are further developed. It is essential that as detailed delivery plans are developed, the Council is transparent about the gaps and challenges that exist in achieving its targets.

Once further developed, the Council should consider any potential impact on its financial statements. In addition, the narrative within the Management Commentary should be enhanced to include more details on what work the Council is doing, providing hyperlinks to where information is published elsewhere.

3.32 Wider Scope Requirements (continued)

Cyber risk

Area	Management actions	Impact on Stirling Council's Annual Accounts	Impact on our audit
Cyber risk	Stirling Council recognises cyber risk as part of its Strategic Risk Register. As part of the Internal Audit programme for 2022/23, a review was due to be carried out of cyber resilience and threat management. This review had been carried forward from the 2021/22 internal audit plan and included reviewing the arrangements for implementing, monitoring and reporting progress on the lessons learned from the December 2020 SEPA cyber security incident. This has been subsequently carried forward to the 2023/24 internal audit programme. While this delay has not impacted on the internal auditor's overall opinion for 2022/23, given the Strategic Risk for the Council and the wider risk of cyber-attacks across the public sector, it is important that this review is progressed as planned in 2023/24 to assess the appropriateness of the cyber security arrangements in place.	No specific reference is included in the Annual Accounts. Consideration should be given as to whether this should be incorporated into the section in the Management Commentary where the Council's risks are discussed.	We have obtained an understanding of the business and its internal controls in relation to cyber including assessing the maturity and coverage of the entity's cyber risk management programme. We obtained an understanding of the relevant laws and regulations in relation to the entity.

4.1 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 help the Audit Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Accounts.
- Our internal control observations
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, 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.

What we don't report

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

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

Deloitte LLP

Glasgow | 9th August 2024

Sector Developments

5.1 Sector Developments

Local Government Overview 2023

Background and overview

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period. This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
    - how has the pandemic affected councils and their performance?
    - what are the current and future challenges facing local government?
    - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

Next steps

The Council should consider each of the recommendations on the next page and incorporate into plans where not already considered. The full report is available through the following link: Local Government in Scotland 2023

5.1 Sector Developments

Local Government Overview 2023

Key messages

- Finances and resources - Budget constraints and increasing cost pressures are putting councils' finances under severe strain.
- Community needs and inequalities - The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas.
- Collaboration - The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.
- Leadership - Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic.
- Workforce - Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure.

Recommendations (relevant to Councils)

- Councils need to set out medium- to long-term financial plans that detail: (1) how they will make recurring savings and reduce reliance on reserves to fill budget gaps (2) how council resources are targeted to achieve their long-term policy and performance priorities.
- Councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. Councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data and learning from those with lived experience.
- Councils need to maximise the potential of collaboration by demonstrating they are: (1) working with other councils, the wider public sector and the third sector to redesign and provide services (2) involving service users and local communities in the redesign of services.
- Councils' leaders need to invest time and capacity in thinking radically about their future operating model, and: (1) be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions (2) set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored (3) work with the Scottish Government to rebuild an effective Relationship.
- Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes: (1) building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning (2) updating workforce plans to reflect new models of service delivery and ways of working.

Appendices

6.1.1 Action Plan

The following recommendations have arisen from our 2022/23 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. Charitable Trusts. The Consolidated Small Charitable Trusts income is less than £100,000 and therefore eligible for accounts to be prepared on a receipts and payments basis. The Council should consider this for future years to reduce the administrative and audit burden in preparing these accounts.	This will be considered for the 2024/25 financial year.	Low	George Murphy (Finance Service Manager)	March 2025
2. Financial management The financial reporting to Committee could be enhanced by incorporating the following: • A clear reconciliation from the original approved budget to the revised budget updated and reported against during the year. • Clearly identifying the savings targets incorporated into the budget and then monitoring against these to assess whether they have been achieved as planned. It is currently not possible to establish, from the reporting the Committee, what level of savings have been achieved.	Improvements were made to reporting to the Finance, Economy & Corporate Services Committee during 2023/24, however management recognises that further improvement could be made. Improvements will be made iteratively throughout 2024/25.	Low	Martin Clark (Finance Transformation Lead)	March 2025

6.1.2 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
3. Financial management Improvements are required to the capital budget setting and monitoring process to ensure that realistic budgets are set, with clear timelines and links with the capital investment requirements of the Council. This should include a clear link to the impact on service delivery or transformation where there is slippage in projects.	Council set its first whole-organisation Capital Strategy in September 2023, which provides greater strategic direction and clarity in terms of the Council's capital investment approach. Capital Delivery Board, chaired by the Chief Operating Officer – Infrastructure & Environment, is undergoing a refresh and will provide Officers with the grip and control required to deliver the capital investment programme. This will be reflected in the budget monitoring process.	Medium	Martin Clark (Finance Transformation Lead)	March 2025

6.1.3 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
4. Financial sustainability – budget setting In setting its budget, the Council needs to provide greater clarity on how its decisions link with its agreed priorities.	Council has engaged extensively with the public ('Big Conversation') in order to both inform budget decisions and to provide greater transparency on how and why budget decisions are being considered. Officers and Members have engaged effectively through a budget delivery framework to ensure budget decisions align with the strategic priorities of Council and Services. The budget setting approach and alignment with priorities will be further developed as part of 2025/26 budget setting.	Medium	Martin Clark (Finance Transformation Lead)	March 2025
5. Financial sustainability – budget setting The Council should set out within its budget papers any other specific mitigating actions that could impact on the achievement of a balanced financial position aligned to its key risks.	Council has had no issues previously in fully articulating risks involved in delivering balanced budgets. There are dedicated sections in budget papers and monitoring reports. The Council will consider if any additional information can be included.	Medium	Martin Clark (Finance Transformation Lead)	March 2025

6.1.4 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
6. Financial sustainability – reserves The finance monitoring reports should be expanded to give members an update on progress with the use of the earmarked reserves to ensure that they are being actively monitored and being applied for the purposes intended.	A dedicated report on earmarked reserves was submitted to Finance, Economy & Corporate Support Committee in February 2024, and this will form part of regular reporting to the Committee in future.	Medium	George Murphy (Finance Service Manager)	September 2024
7. Financial sustainability – reserves The Council should review the need for such a large number of earmarked reserves (currently over 150 separate earmarked reserves ranging from balances less than £5,000 to £6m) and whether these should be getting managed as part of the individual services budgets rather than being treated separately as reserves. The administrative burden of managing and monitoring over 150 separate reserves is excessive.	This review has taken place, a paper went to FECS in February 2024 which informed 24/25 budget setting.	Medium	George Murphy (Finance Service Manager)	February 2024

6.1.5 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
8. Financial sustainability – business change A Business Change Strategy and Plan is developed, covering details such as business readiness, change management and impact, communication and training. This should be aligned to the different workstreams of business change.	Strategic approach to Business Change is being developed alongside the Council's updated transformation programme, and will enable the delivery of effective transformation. The Business Change function will develop further as the transformation programme is rolled out.	Medium	Lawrence Hay (Head of Customer Service & Performance)	March 2025

6.1.6 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
9. Vision, leadership and governance The Audit Committee should carry out an annual self-assessment, with the results published as part of its annual report. Reference should be made to the CIPFA Position Statement: Audit Committees in Local Authorities and Police published in 2022, along with the associated self-assessment of good practice checklist Support for audit committees (cipfa.org). This would allow the Committee to identify any training needs or changes to operation of the Committee.	An annual self-assessment for the Audit Committee took place in 2023/24 and will be reflected in the Audit Committee Annual Report in August 2024.	Medium	Julia McAfee (Chief Officer – Governance)	August 2024

6.1.7 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
10. Climate change The climate change plans should include detailed route maps that set out: • Interim targets to track progress towards longer-term targets; • How and to what extent individual actions will contribute to emissions reductions; • Costs and budgets for the intended actions, gaps in financing and intended actions to secure funding; • How actions to reduce emissions might have co-benefits for, or impact on, adaption actions; and • A clear timetable for reviewing actions and publishing update reports on progress.	Through implementation of the Council's Climate and Nature Emergency (CaNE) plan, and through the CaNE Officer Board, key aspects including benefits tracking, financial implications, and project delivery, will be monitored and reported.	Medium	Ann Jacob-Chandler (Head of Economic Development, Planning & Climate Change)	March 2025

6.1.8 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
11. Climate change – Management Commentary The disclosure in the Annual Report should be expanded to set out in more detail the Council's exposure to climate-related issues and how it is monitoring and managing these reports. The narrative should include both the Council's impact on the environment and the impact that climate change may have on the Council's future. Hyperlinks could then be added to where further information is published, for example the Climate and Nature Emergency Plan and the Annual Report.	To be considered for 2023/24 annual accounts.	Medium	George Murphy (Finance Service Manager)	June 2024
12. Cyber risk – Management Commentary Consideration should be given as to whether cyber risk should be incorporated into the section in the Management Commentary where the Council's risks are discussed.	To be considered for 2023/24 annual accounts.	Medium	George Murphy (Finance Service Manager)	June 2024

6.2.1 Follow-Action Plan

We have followed up the recommendations made in by the previous auditors. We are pleased to note that the 6 recommendations have been fully implemented as documented below.

Recommendation	Management Response	Management update 2022/23
1. Valuation of non-current assets Management should put in place a process to ensure that an assessment of the value of assets not revalued in year is carried out on an annual basis.	The process for determining the value of non-current assets that have not been valued in year will be developed as part of the planning for the 2022/23 close down and audit **Responsible Officer:** Chief Officer – Finance **Target Date:** January 2023	A process has been established and undertaken for the 22/23 revaluation of assets. The Finance team will continue to work with Estates colleagues to develop and further improve revaluation processes. ***Fully implemented***
2. Inflation Assumptions The Council should review assumptions regarding how inflation will impact future PFI costs.	Future PFI/PPP cost assumptions will be assessed in line with relevant inflation factors. **Responsible Officer:** Chief Officer – Finance **Target Date:** March 2023	Future PFI/PPP cost assumptions included in the 2022/23 draft annual accounts have been assessed and updated in line with relevant inflation factors. ***Fully implemented***
3. Reconciliation processes The Council should review its processes and ensure that key reconciliations are regularly carried out.	Key reconciliations will be undertaken on a regular basis throughout the year **Responsible Officer:** Chief Officer – Finance **Target Date:** January 2023	Other staff are now being trained on key reconciliations (Sundry Debtors, NDR, CTax). New spreadsheet formats being set up to replace previous paper-based reconciliations. Housing – new Accountant will review processes and ensure timely reconciliations are in place. ***Fully implemented***

6.2.2 Follow-up Action Plan (continued)

Recommendation	Management Response	Management update 2022/23
4. Receipt of data from group components In 2020/21 audit adjustments were processed as a result of updated information being received from group components after the preparation of Stirling Council's unaudited Annual Accounts. *Recommendation:* Work with partner bodies to increase the accuracy and timeliness of information on group components. *2021/22 update:* There was no significant change in the quality of data from group components.	The closedown timetable will be updated to ensure timely information can be received from partner bodies. This will be shared with these bodies to ensure the expectations of all parties are clear. **Responsible Officer:** Chief Officer – Finance **Target Date:** January 2023	Due to Stirling Council's tight closedown deadlines for its draft accounts, partner bodies are only able to provide closing management accounts incorporating a P&L account and Balance Sheet as a minimum. A further request for partners' updated financial information (where available) is issued in August for the audited version of the accounts. ***Fully implemented***
5. Target value for uncommitted reserves Stirling Council has exceeded the target level of uncommitted reserves set out by its reserves policy for the last 4 years. *Recommendation:* The Council should assess whether the target value for uncommitted reserves remains appropriate. *2021/22 update:* The value of uncommitted reserves exceed the target value in 2021/22.	Finance will review the reserves policy and consider its suitability in the context of Stirling's financial position. The CFO will consider a risk-based approach to the reserves policy in tandem with the medium-term financial plan process. **Responsible Officer:** Chief Officer – Finance **Target Date:** May 2023	The closing position of uncommitted reserves for 2022/23 was £5.682m being 2.3% of budget and within the target range 2% - 2.5% of budget. The Council when setting the 2023/24 budget agreed to maintain the target range at 2% - 2.5% of budget. ***Fully implemented***

6.2.3 Follow-up Action Plan (continued)

Recommendation	Management Response	Management update 2022/23
6. Performance reporting with the Management Commentary Non-financial information within the Management Commentary meets the statutory requirements but could be improved. *Recommendation:* The Council should take advantage of the quality performance reporting that is provided in committee papers to include performance data within the management commentary that is more relevant and specific to the challenges the Council faces. *2021/22 update:* There has been some improvement in 2021/22, but there remains an opportunity to make better use of the quality performance reporting that is submitted to Council committees.	The Council continues its improvement journey in relation to the provision of performance management information. Once the priorities of the new administration are agreed, this will provide an ideal opportunity to review what is included in the Management Commentary for the 2022/23 accounts. **Responsible Officer:** Chief Officer – Finance **Target Date:** January 2023	The performance information included within the Management Commentary was reviewed and updated for the 2022/23 draft accounts. ***Fully implemented***

6.2.4 Follow-up Action Plan (continued)

Recommendation	Management Response	Management update 2022/23
7. Accessibility of meeting papers Full meeting papers, including detailed reports, are only freely available on the Council website for the most recent meetings *Recommendation:* The Council should take action to resolve the issue currently affecting historic meeting papers and ensure these are fully accessible. *2021/22 update:* This recommendation is still relevant in 2021/22.	IT has found a resolution to the issue that has meant that committee and council papers, other than the most recent versions, are not accessible from the Council website. The issue arose as a consequence of our internet browser becoming obsolete. We have identified a solution and the last 6 years of Council papers are now available on the website. A plan is now in progress to ensure all papers are available from the website by March 2023. **Responsible Officer:** Senior Information Officer **Target Date:** March 2023 The Council has agreed, as part of its transformation programme, to the development of a project to implement dedicated committee management software, which will also provide public access to all council and committee papers. Procurement options for this software are being identified. **Responsible Officer:** Chief Officer - Governance **Target Date:** June 2023	The Council has agreed, as part of its transformation programme, to the implementation of a dedicated committee management system, which will support the creation and collation of Council and committee papers, and also provide improved public access to future papers. This system has been procured and an implementation plan developed ***In Progress*** **Revised Target Date: August 2024**

6.2.5 Follow-up Action Plan (continued)

Recommendation	Management Response	Management update 2022/23
8. Capital Programme The general fund capital programme experienced slippage in 2019/20. The general fund has experienced slippage in each of the last six financial years. *Recommendation:* The Council should ensure that any slippage and reprofiling of general fund capital projects continues to support the Council's strategic priorities. *2021/22 update:* This recommendation is still relevant in 2021/22.	A review of the 22/23 programme will be presented to Council in December 2022. The profiling and monitoring arrangements for the capital programme moving forward are currently under review, in conjunction with the Chief Operating Officer and relevant Heads of Service. **Responsible Officer:** Chief Officer – Finance **Target Date:** February 2023	The 2022/23 capital programme experienced significant slippage. For 2023/24, improvements have been made to profiling and monitoring arrangements with Senior Management status reports now being presented to Capital Delivery Group on a monthly basis. These reports set out key risk areas around project delivery and allow for earlier interventions and escalation as required. ***Fully Implemented***
9. Financial Sustainability The Covid-19 pandemic has introduced further financial challenges. *Recommendation:* The Council should update its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained. *2021/22 update:* The Council monitors Covid-19 impact and anticipates pressures in the next financial year. However, the medium and long-term plans do not take into account the impact to Covid-19. As a result, this recommendation remains relevant.	The medium-term financial plan will be updated to provide greater clarity and take account of Covid-19 impacts. **Responsible Officer:** Chief Officer – Finance **Target Date:** May 2023	A revised and updated Medium-Term Financial Plan is currently being development which will incorporate new and emerging financial challenges, e.g. flat cash grant settlements, continuing high cost and inflationary pressures. (considered further on page 33). ***In Progress*** **Revised Target Date: September 2024**

7.1 Audit Adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified up to the date of this report which we request that you ask management to correct as required by ISAs (UK). No uncorrected misstatements have been noted.

7.2 Audit Adjustments

Corrected misstatements

The following misstatements have been identified up to the date of this report which have been corrected by management. We nonetheless communicate them to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

		Debit/(credit) CIES £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m	If applicable, control deficiency identified
Peak & Forthbank valuation	[1]	0.08	1.6		(1.68)	Page 18
Prior year PPE valuation processing error – impact on 2022/23	[2]	(2.4)	24.3		(21.9)	Page 18
Prior year PPE valuation processing error – impact on 2021/22	[3]	(11.7)	39.8	(28.1)		Page 18
Total						

[1] The date of revaluation on the Peak and Forthbank properties did not match the valuation report, and as such the depreciation was recorded incorrectly for the year 2022/23. The credit entry to reserves relates to the unusable revaluation reserve, and has no impact on usable reserves.

[2] & [3] In 2021/22 the cost and depreciation figures for the revalued items of PPE were recorded incorrectly, due to the accumulated depreciation entry not being recorded appropriately. Management have restated the prior year accounts to reflect the correct entries, and this has also impacted the 2022/23 balances.

7.3 Audit Adjustments

Disclosures

Disclosure misstatements

No disclosure misstatements have been noted.

8.1 Our Other Responsibilities Explained

Fraud responsibilities and representations

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. 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.

Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the Council.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and their belief that they have appropriately fulfilled those responsibilities.

Audit work performed:

In our planning we identified the risk of fraud in capital expenditure recognition and management override of controls as a key audit risk.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

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.

Concerns:

No issues or concerns have been identified in relation to fraud.

9.1 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 our objectivity is not compromised.
Fees	The expected fee for 2022/23, as communicated by Audit Scotland in December 2022 is analysed below: £ Auditor remuneration: 228,370 Audit Scotland fixed charges: • Contribution to PABV costs: 57,320 • Audit support costs: 8,660 • Sectoral cap adjustment: (5,210) **Total expected fee: 289,140** In addition to the above, the audit fee for the two charitable trusts audit is £8,000. Due to additional work being required by Deloitte we will be seeking additional fees. This is currently under negotiation.
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.

	£
Auditor remuneration	228,370
Audit Scotland fixed charges:	
• Contribution to PABV costs	57,320
• Audit support costs	8,660
• Sectoral cap adjustment	(5,210)
Total expected fee	**289,140**