Fife Council

External Audit Annual Plan

Year ended 31 March 2025

April 2025

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Introduction

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Fife Council and its group ("the Council"), and the charitable trusts administered by the Council for the year ended 31 March 2025.

The main elements of the audit include:

- An audit of the annual accounts for the Council and an opinion on whether they give a true and fair view and are free from material misstatement.
- An audit opinion on other statutory information published with the financial statements in the annual accounts, including the Management Commentary, Annual Governance Statement, and the Remuneration Report.
- Consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.
- Consideration of arrangements in relation to Best Value.
- Provision of an Independent Auditor's Report expressing our opinions on the different elements of the annual accounts and an Annual Audit Report setting out conclusions on the wider scope and best value areas.
- An audit of the Fife Council Charitable Trusts annual report & financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An audit of grant claims and returns (as applicable).

Responsibilities of the auditor and the Council

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

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

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

Appendix 2 provides further details of our respective responsibilities.

Adding value through the audit

All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

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

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

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

Openness and transparency

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

Audit scope and general approach

Risk-based audit approach

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

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

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

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

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

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

Communication with those charged with governance

Auditing standards require us to make certain communications throughout the audit to those charged with governance. These communications will be made through the Standards, Audit and Risk Committee.

Partnership working

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

Our Audit Scotland appointments include Fife Pension Fund, Fife Integration Joint Board and NHS Fife. Where practicable and appropriate we will share knowledge to generate efficiencies in the delivery of our audits.

Audit Scotland

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

Audit Scotland undertakes national performance audits on issues affecting the public sector. We may also be required to provide information to Audit Scotland to support review the national performance audits and we may review the Council's arrangements for taking action on any issues reported in the national performance reports which have a local impact. We also consider the extent to which the Council use the national performance reports as a means to help improve performance at the local level.

Shared risk assessment and joint scrutiny planning

The Shared Risk Assessment (SRA) process is the vehicle for scrutiny bodies to share intelligence and agree scrutiny risks at councils. Each council has nominated contacts in each scrutiny body partner with knowledge of individual councils and intelligence that could be helpful in audit risk assessment and planning. We engage with those contacts to collect information on performance and scrutiny risks to inform our risk assessment discussions and discuss planned scrutiny with the Council.

Internal Audit

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

Delivering the audit

Hybrid audit approach

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

Secure sharing of information

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

Regular contact

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

Signing annual accounts

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

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

Materiality

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

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in Appendix 1.

Planning Materiality: We have set our materiality at 2% of the Council’s gross expenditure based on the audited annual accounts for 2023/24, resulting in £33.657million for the Council and £34.175 million for the Group.

Performance Materiality: Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £25.242million for the Council and £25.631 million for the Group.

Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the ‘reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £1.682million for the Council and £1.708 million for the Group.

Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls. As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to the Council.

Specialised skill or knowledge required to complete the audit procedures

Our audit team will consult internally with our Technology Risk team assessing the information technology general controls (ITGC).

Going concern

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

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

Management responsibility

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

Auditor responsibility

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

In assessing going concern, we will consider the guidance published in the Code of Practice on Local Authority Accounting in the UK 2024/25 and Practice Note 10

(PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Prevention and detection of fraud or error

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

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

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

National Fraud Initiative

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

The most recent NFI exercise commenced in 2024. As part of our audit, we will monitor the Council's participation and progress in the NFI exercise and, where appropriate, include references to NFI in our 2024/25 Annual Audit Report.

Anti-money laundering

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

National risk assessment

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

Climate change

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

In addition, Audit Scotland will:

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

Correspondence

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

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

Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. Appendix 2 provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2024/25 is outlined in the 'Wider scope of public audit' section of this plan.

Best Value

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

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

1. **Follow up:** our work will follow up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports, Best Value thematic reports and Annual Audit Reports. Our work will reflect the Council's self-assessment against outstanding improvement actions and our findings will be based on the Council's current arrangements for delivering best value.

2. **Risk based approach to Best Value themes:** We pay due regard to the Council's arrangements in respect of the seven Best Value themes in identifying any significant risks.

3. **Assessing the effectiveness of performance reporting:** the best value theme, effective use of resources, includes an expectation that councils report effectively on their performance. Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities. Specifically in respect of assessing the effectiveness of the Council's processes for the reporting and scrutiny of performance against its priorities we will consider:

Reporting service performance

- the Council's assessment of progress against its service priority measures.
- what the Council is reporting on its relative performance (from the Local Government Benchmarking Framework and other information used locally).

Continuous improvement

- the Council's arrangements to demonstrate continuous improvement in how they deliver their priorities.

Statutory performance information

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's Best Value audit responsibilities. In turn, councils have their own responsibilities, under their Best Value duty, to report performance to the public. The Accounts Commission issued a Statutory Performance Information Direction in December 2021 (continues to apply in 2024/25) which requires the Council to report its:

- Performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1).
- Self- assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

As external auditors we have a statutory duty to satisfy ourselves that the Council has made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction. We will evaluate the effectiveness and appropriateness of the arrangements at the Council, including assessing the appropriateness of the information provided to members in responding to the Direction.

4. **Thematic reviews:** we are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2024/25 is on transformation and will involve auditors considering how councils are redesigning

and delivering more efficient services to achieve planned outcomes. We will report our conclusions in a separate report which will be presented to those charged with governance and published on Audit Scotland's website.

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

Reporting our findings

At the conclusion of the audit we will issue:

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

Definitions

We will use the following gradings to provide an overall assessment of the arrangements in place as they relate to Best Value and wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.

There is a fundamental absence or failure of arrangements

There is no evidence to support necessary improvement

Substantial unmitigated risks affect achievement of corporate objectives.

Arrangements are inadequate or ineffective

Pace and depth of improvement is slow / needs to extend further

Significant unmitigated risks affect the achievement of corporate objectives

No major weaknesses in arrangements but scope for improvement exists

Pace and depth of improvement are adequate

Risks exist to the achievement of operational objectives

Effective and appropriate arrangements are in place

Pace and depth of improvement are effective

Risks to the achievement of objectives are managed

Group audit scope and risk assessment

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

Group audit scope

The Group consists of the following entities:

Component	Scope	Planned audit approach
Fife Council	Full	Full scope statutory audit, performed by Azets as set out in this audit plan.
Fife Integration Joint Board	None	No procedures planned.
Fife Coast & Countryside Trust	None	No procedures planned.
Fife Cultural Trust	None	No procedures planned.
Fife Golf Trust	None	No procedures planned.
Fife Sports & Leisure Trust	None	No procedures planned.
Cireco (Scotland) LLP	None	No procedures planned.
Fife Resource Solutions LLP	None	No procedures planned.
Business Gateway Fife	None	No procedures planned.
Fife Council Charitable Trusts	None	No procedures planned.
Fife Council Other Trusts	None	No procedures planned.
Common Good	Specific	Specific scope procedures on asset valuations and the implementation of IFRS16 to be completed by Azets.

Risks at the component-level

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

Financial statements - significant audit risks

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

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

Significant risks at the financial statement level

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

Management override of controls	Audit approach
Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals. • Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council's journals policy.

Management override of controls	Audit approach
Risk of material misstatement: Very High	• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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

Fraud in revenue recognition	Audit approach
Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA (UK) 240. The presumption is that the Council could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position. Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. We consider that the risk of fraud in relation to revenue recognition is however only present the Grants and Contributions revenue stream, where there is increased opportunity and incentive to maximise revenue recognised in year. As such we consider that there is an inherent fraud risk associated with the over recognition of revenue in year, leading to a potential for material misstatement in the reported financial position. In respect of all other revenue streams we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. **Inherent risk of material misstatement:** Grants and Contributions Revenue (occurrence): High	We will perform the below procedures in respect of grants and other contributions: • Documenting our understanding of the Council's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems. • Evaluating the Council's accounting policies for recognition of income and compliance with the Code of Practice on Local Authority Accounting in the UK. • Carrying out substantive testing using analytical procedures and sample testing of transactions recognised for the year.

<table>
<tr><th>Fraud in expenditure recognition</th><th>Audit approach</th></tr>
<tr><td>
Practice Note 10 notes that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council.
We are satisfied that this is not a significant risk with regard to Pay Expenditure, as there is limited opportunity or incentive to manipulate this type of expenditure.
For all other expenditure, given the financial pressures facing the public sector as a whole, we consider that there is an inherent fraud risk associated with the under recording of expenditure around the year end leading to a potential material misstatement in the reported financial position.
Inherent risk of material misstatement:

Non-pay expenditure (completeness): High
Accruals (completeness): High

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We will perform the below procedures:

Documenting our understanding of the Council’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.
Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems.
Evaluating the Council’s accounting policies for recognition of expenditure and compliance with the Code of Practice on Local Authority Accounting in the UK.
Substantively testing a sample of open invoices from the Accounts Payable ledger at 31 March 2025, to ensure these are recorded in the appropriate year’s financial statements.
Reviewing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.

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Valuation of council dwellings and other land and buildings (key accounting estimate)	**Audit approach**
The Council carries out a rolling programme of valuations to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2025. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates. These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings and other land and buildings as a significant risk. We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied. • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding. • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct. • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.

Valuation of council dwellings and other land and buildings (key accounting estimate)	Audit approach
Inherent risk of material misstatement: Council dwellings and other land and buildings and investment property (valuation): High	

Pension asset/liability (key accounting estimate)	**Audit approach**
An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the Code of Practice on Local Authority Accounting in the UK. The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates. This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk. **Inherent risk of material misstatement:** Pension (valuation): High	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating management's process for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work. • Evaluating the competence, capabilities and objectivity of the actuary. • Assessing the controls in place to ensure that data provided to the actuary by the Council and their pension fund was accurate and complete. • Evaluating whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements. • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.

Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor(key accounting estimate)	**Audit approach**
IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025. The 2024/25 Code has also changed the accounting treatment for indexation linked payments in liabilities for service concession arrangements. Local authorities must remeasure if there is a change in future lease payments resulting from a change in an index / rate used to determine those payments and ensure that the financial statements accurately reflect the impact of the revised IFRS 16 accounting arrangements. The implementation of this new accounting standard also represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement upon recognition of the right of use asset and associated lease liability. We have therefore identified the implementation of IFRS 16 as a significant risk. **Inherent risk of material misstatement:** Implementation of IFRS 16 (valuation and completeness): High	Procedures performed to mitigate risks of material misstatement in this area will include: • Performing a walkthrough of the Council's systems and processes to capture the data required to account for right of use lease assets and associated liabilities in accordance with IFRS 16. • Reviewing the Council's accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard. • Assessing the existence, valuation, accuracy and completeness of the right of use assets and associated lease liabilities, and the related disclosures within the financial statements. • Evaluating whether right of use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the Code of Practice on Local Authority Accounting in the UK. • Assessing the adequacy of disclosures regarding service concession arrangements.

Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as those adopted for the risks identified in this report.

The wider scope of public audit

Introduction

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

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

Our audit approach to the wider scope audit areas

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

- Identifying significant audit risks at the planning stage of the audit.
- Reaching conclusions on those risks.
- Making recommendations for improvement.
- Where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Audit Practice requires us to structure our commentary under the four areas identified above. Appendix 2 provides further detail on the definition, scope and audit considerations under each wider scope area.

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

We have identified two significant risks in relation to our wider scope audit work as set out in the tables below. At this stage, we have not identified any further significant risks. Audit planning however is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.

Wider scope significant risks

Financial sustainability

The Council's financial planning is underpinned by its Medium-Term Financial Strategy (MTFS). The General Fund Revenue Budget report presented to the Council in February 2025, projects provisional cumulative budget gaps, after provision of pressures and investment, of £23.638million for 2025/26, rising to £43.803million for 2026/27 and £69.782million for 2027/28.

The Council has identified several initiatives to close the general fund revenue budget gap and present a balanced budget for 2025/26. These include:

- Identified budget savings of £7.137million.
- Increase in Council Tax of 8.2% (anticipated gap reduction £15.908million)
- Increase in Fees & Charges of 5% (anticipated gap reduction £0.593million).

After revising the financial planning assumptions to incorporate the same assumptions as for 2025/26, alongside Council Tax of 5%, the Council continues to forecast funding gaps of £5.116million and £16.233million respectively for 2026/27 and 2027/28. Work has commenced on developing transformation projects that are expected to generate further efficiency savings and help mitigate budget gaps in the medium to longer term.

The Council continues to acknowledge that reserves cannot be utilised as a sustainable solution to close the medium term budget gap. Following approval to decommission £5.260million of balances held for investment, the Council's level of uncommitted reserves is forecast to be £23.034million at 31 March 2025, which is just above the policy minimum. The Council plans to keep the level of uncommitted balances under close review, but with no plans to restore balances at this time.

The Council has recognised that the HRA budget is also under considerable financial pressure and continues to face a high level of financial risk. The 2025/26 funding gap on the HRA budget was £8.560million which is to be mitigated by a 6% rental increase approved by the Council in February 2025. Close monitoring of the key pressures facing the HRA including inflationary pressures and the cost of financing capital investment will be essential to ensure the HRA remains affordable and sustainable.

Our audit response:

During our audit we will review whether the Council has appropriate arrangements in place to manage its financial position. Our work will include an assessment of progress made in developing financially sustainable plans which reflect the medium and longer term impact of cost pressures and that continue to support the delivery of the Council's statutory functions and strategic objectives.

Further wider scope considerations

In formulating our audit plan, we identified areas of further focus for our work in other wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist:

Financial management

- Whether the Council achieves its 2024/25 financial targets.
- The progress made by the Council in enhancing the transparency of financial reporting.

Vision, leadership and governance

- Whether the Council can demonstrate that the governance arrangements in place are appropriate and operating effectively.
- The progress made by the Council in implementing the refreshed Plan4Fife.

Use of resources to improve outcomes

- How the Council demonstrates a focus on continuous improvement in the context of continuing financial and operational challenge.
- The transparency of decision-making and performance data.

Best Value

Our Best Value work is integrated with other wider-scope annual audit work. The work set out in this section has informed our risk assessment and the scope of work in respect of our wider scope and best value responsibilities.

Controller of Audit report / Accounts Commission Findings

In February 2025, the Controller of Audit reported to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Commission's findings were published on the Audit Scotland's website.

The Commission's findings are due to be presented to the May Full Council meeting alongside the Council's actions to address the findings. We will follow up on these actions as part of the scope of our Best Value follow up work.

Our areas of focus in 2024/25

One of the aspects of our Best Value work is to take a risk based approach to the Council's arrangements in respect of the seven Best Value themes. As part of our 2024/25 risk assessment we are looking to focus our work to the following areas:

- The Council's approach to setting the 2025/26 budgets (revenue, HRA and capital) including integration of service change plans into this process, reflecting the financial challenges the Council is facing
- The impact of health and social care financial challenges on the Council and consideration of reporting a whole system view.
- The effectiveness of the Council's revised performance arrangements in supporting scrutiny of performance, identifying action plans for areas of poor performance and providing good quality performance information to inform decision making
- The Council's compliance with the Accounts Commission's direction on public performance reporting and preparations for implementation of the new direction (effective from 2025/26).

Fife Council Charitable Trusts

Introduction

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

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

There are 43 Charitable Trusts, 30 of which are Settlement Trust Funds. Financial statements are all 43 registered charities have been prepared using the connected charities provision.

Significant risks at the financial statement level

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

Management override of controls	Audit approach
Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • Testing high risk and / or unusual journals posted during the year and after the unaudited financial

Management override of controls	Audit approach
material misstatement due to fraud and thus a significant risk. Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business. **Risk of material misstatement: Very High**	statements stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the journals policy. • Gaining an understanding of the accounting estimates and critical judgements made by management. We will challenge assumptions and consider the reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.

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

Fraud in revenue recognition	Audit approach
Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA (UK) 240. Having considered the nature of the revenue streams within the Charitable Trusts, we consider that the risk of fraud in revenue recognition can be rebutted due to the following: Income recognised in the Trusts' accounts is investment income and support service income (with corresponding expenditure), giving limited opportunity or incentive for manipulation. Additionally, investments are managed by Janus Henderson Investors, further limiting opportunity for manipulation.	Given the nature of income (investment income / support service income) we have rebutted this risk. We will review our assessment during the fieldwork stage of our audit.

Going concern

Under the going concern principle it is assumed that an entity will continue in operation and there is neither the intention nor the need to liquidate it or cease trading.

Management responsibility

Management is required to make and document a comprehensive assessment of whether the entity is a going concern when preparing the financial statements. The process should be proportionate in nature and depth depending upon the size and level of financial risk and the complexity of the entity and its operations. The review period should cover at least 12 months from the date of approval of the financial statements. Trustees are also required to make balanced, proportionate and clear disclosures about going concern in the financial statements where material uncertainties exist in order to give a true and fair view.

Auditor responsibility

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

Materiality

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

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

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

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

The basis for our assessment of materiality is set out below.

Charitable trusts materiality

	Overall materiality (£)	Performance materiality (£)	Trivial threshold (£)
Settlement Trusts			
Ladybank	471	353	24
Kingskettle	119	90	6
Kilconquhar	348	261	17
Freuchie and Area	371	278	19
Falkland	176	132	9
Crail	5,307	3,980	265
Cupar	3,289	2,467	164
Auchtermuchty	684	513	34
St Monans	2,685	2,014	134
Elie	890	667	44
Newburgh	4,280	3,210	214
Anstruther & Cellardyke	9,343	7,007	467
St Andrews	6,729	5,047	336
Dunfermline	4,644	3,483	232
Leslie	126	95	6
Collessie	136	102	7
Tayport	661	496	33
Pittenweem	1,121	841	56
Leven	561	421	28
Kennoway	67	51	3
Buckhaven and Methil	38	29	2
Burntisland	1,289	967	64

	Overall materiality (£)	Performance materiality (£)	Trivial threshold (£)
Kirkcaldy	10,705	8,029	535
Kinghorn	1,545	1,159	77
Auchtertool	47	36	2
Culross	232	174	12
Limekilns	229	171	11
Kincardine	1,619	1,214	81
Lochgelly	1,086	815	54
Ballingry	604	453	30
Other Trusts			
Waugh & Wharrie Bequest	133	100	7
Adam Smith / Gow / Beveridge Bequest	546	410	27
A. A. Wilkie Trust - Children	6	5	1
Fl. Lawsons Executry	47	36	2
Raemore Mort. K/L	157	118	8
Frances Lawson's Bequest	68	51	3
Ogilvy Dalgleish Mortification	113	85	6
Macintosh Bequest	49	37	2
B.F. Nisbet's Trust & Garden	378	283	19
Thomas S. Greig's Bequest	971	728	49
Thomson Bequest and Laing Library	1,220	915	61
Bell Fund / Good Templars Fund	14,519	10,889	726
Thomas Ireland's Trust	209	157	10

Materiality	Overall materiality: our assessment is based on approximately 5% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the charitable trust. Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality. Trivial threshold: 5% of overall materiality for the financial statements.

Audit management team and logistics

Audit management team

Our audit management team will be as follows:

Role	Name	Email
Engagement Lead	Karen Jones	Karen.Jones@azets.co.uk
Engagement Manager	Andrew Ferguson	Andrew.Ferguson@azets.co.uk
Engagement Manager	Amy Hughes	Amy.Hughes@azets.co.uk

Timetable

Audit work/ output	Target month/s	Standards, Audit & Risk Committee	Deadline
Planning and risk assessment	March	N/A	N/A
Audit plan	March	24 April 2025	31 March 2025
Interim audit	March - April	N/A	N/A
Final audit	July - September	N/A	N/A
Independent Auditor's Report	September	30 September 2025	30 September 2025
Annual Report to the Council and the Controller of Audit	September	30 September 2025	30 September 2025

Audit work/ output	Target month/s	Standards, Audit & Risk Committee	Deadline
Report to those charged with governance relating to the charitable trusts	September	30 September 2025	30 September 2025
Grant claims and returns: • Non domestic rate income return (NDRI) • Housing benefit subsidy claim (HB)	TBC	N/A	TBC

Our expectations and requirements

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

- Unaudited annual accounts, of good quality, submitted to us no later than 30 June, in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
- The provision of a complete set of good quality working papers for the commencement of our final audit. These will be discussed with you in advance to ensure clarity over our expectations.
- Ensuring staff are available and on site (as agreed) during the period of the audit.
- Prompt and adequate responses to audit queries.

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

Audit fee

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit.

Audit fees are reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2024/25 audits) have been developed recognising the difficult financial environment and the challenges facing public services, and public audit's role in helping meet them. Alongside this the audit profession continues to experience significant pressures, operating in a competitive environment around staff retention and recruitment, as well as facing increased demands on audit quality and regulatory oversight. Consideration has been given, in setting the audit fees in 2024/25, to striking a balance between audit delivery, audit quality, staff wellbeing, managing risk, delivering efficiencies and cost savings and providing effective scrutiny, challenge, assurance and support.

The expected fee increase, for all fee-paying public bodies, has been limited to 1.9% in 2024/25.

The audit fee assumes that the body has:

- well-functioning controls
- an effective internal audit service
- an average risk profile
- sound governance arrangements in place and these operated effectively throughout the year
- prepared accurate unaudited financial statements which meet the agreed timetable for audit
- prepared comprehensive working papers to support the accounts

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

For 2024/25, we propose setting the audit fee above the expected fee level. We propose setting the 2024/25 audit fee above the expected fee to reflect the following areas of work:

	Fee
Changes to auditing standards have increased the complexity and volume of audit work required to carry out audits in line with these standards. In 2022/23, auditing standards (ISA 240 and ISA 315) relating to risk assessment came into effect which substantially changed the approach auditors take to risk assessment and the resultant audit procedures. These standards have an ongoing impact upon the level and detail of work required to perform an ISA compliant audit. Additionally, for 2024/25, ISA 600 (group audits) has been revised, resulting in a change in our approach to the audit of group accounts, including increased risk assessment procedures.	£14,450
Dealing with accounting queries which arise during the financial year, including consultation on asset valuations (identified as a significant risk area).	£10,000
New accounting standards in year relating to the disclosure of leases in the financial statements (IFRS16) came into effect for the Council in 2024/25 and is anticipated to have a significant impact on both the Council and the Common Good balance sheets. There is a significant level of additional audit work required in response to these changes, alongside dealing with accounting queries which arise during the financial year. (identified as a significant risk area).	£13,500
Ongoing development of the Council's performance management arrangements, reporting on our best value areas of focus for 2024/25 and follow up of the Commission's findings.	£15,000

Fee element	2024/25	2023/24
Auditor remuneration (expected fee level)	394,520	378,610
Audit remuneration (above expected fee level for risk areas noted above)	52,950	37,500
Pooled costs	9,910	13,800
Contribution to Performance audit and Best Value work (PABV) costs	122,130	125,160
Sectoral cap adjustment	136,130	132,700
Total fee	**715,640**	**687,770**

We will take account of the risk exposure of the Council and the management assurances in place. We assume receipt of the draft working papers at the outset of our final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant work not within our planned audit activity.

Audit fee – Fife Council Charitable Trusts

The audit fee in the table above does not include the cost of auditing charitable trust funds. We propose setting the audit fee for the audit of the charitable trusts at £12,965 (2023-24; £12,720) which represents an increase of 1.9% in line with Audit Scotland approach outlined above.

Independence, objectivity and other services provided

Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

Other services

No other services were provided by Azets to the Council.

Other threats and safeguards

Other potential threats for which we have applied appropriate safeguards include:

Other threats to objectivity and independence	Safeguard implemented
An Azets employee's father is a senior employee at NHS Fife and has a Non-Executive Director role at Fife Coast & Countryside Trust.	We confirm that we have implemented internal safeguards to ensure this employee has no involvement in our audit work and that no members of staff working on the audit discuss any aspects of the audit with them.

Appendices

Appendix 1: Materiality

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

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

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users.

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

Our assessment, at the planning stage, of materiality for the year ended 31 March 2025 was calculated as follows.

Group and Council Materiality

	Group £million	Council £million
Overall materiality for the financial statements	34.175	33.657
Performance materiality (75% of materiality)	25.631	25.242
Trivial threshold (5% of materiality)	1.708	1.682

Materiality	Our initial assessment is based on approximately 2% of the Council's gross expenditure as disclosed in the 2023/24 audited annual accounts. We consider this benchmark to be the principal consideration for the users of the annual accounts when assessing financial performance of the Group and Council. The financial statements are considered to be materially misstated where total errors exceed this value.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. Individual errors above this threshold are communicated to those charged with governance.

Common Good Materiality

	Common Good Funds £million
Overall materiality for the financial statements	12.0
Performance materiality (75% of materiality)	9.0
Trivial threshold (5% of materiality)	0.6

Materiality	Overall materiality: our assessment is based on approximately 5% of total assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the Common Good Fund. Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality. Trivial threshold: 5% of overall materiality for the financial statements,

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

We also consider materiality qualitatively. This includes areas where users are where users are more sensitive to any error. As such we consider the Remuneration Report and Related Parties disclosures as material by nature.

In performing our audit of the Remuneration Report, we will consider any errors which cause result in a movement between the relevant bandings on the disclosure table to be material.

For Related Party transactions, in line with the standards we will consider the significance of the transaction with regard to both the Council and the counter party, the smaller of which will drive materiality considerations on a transaction-by-transaction basis.

Appendix 2: Responsibilities of the Auditor and the Council

The Accounts Commission, Controller of Audit and Audit Scotland

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

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

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

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the 2021 Code) describes the high-level, principles-based purpose and scope of public audit in Scotland.

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

Our responsibilities

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

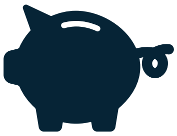
We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Council and others, including Audit Scotland, on the results of our audit work.

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

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the annual accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

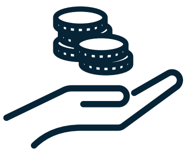


Financial management

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

Auditor considerations

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



Financial sustainability

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

Auditor considerations

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

Vision, leadership and governance

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

Auditor considerations

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

Use of resources to improve outcomes

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

Auditor considerations

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

Best Value

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

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

Audit quality

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

Audit Scotland maintains and delivers an Audit Quality Framework.

The most recent audit quality report can be found at Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland

Council responsibilities

The Council has primary responsibility for ensuring the proper financial stewardship of its public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

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

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

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