



Stirling Council

Update report to the Audit Committee, the Council and the Controller of Audit on the 2023/24 audit

Issued on 7 April 2025 for the meeting on 17 April 2025

Contents

01 Final report

Partner Introduction [3](#)

Annual Accounts

Quality Indicators [8](#)

Our Audit Explained [9](#)

Significant Risks [10](#)

Other Areas of Audit Focus [15](#)

Your Control Environment and Findings [18](#)

Other Significant Findings [22](#)

Our Audit Report [23](#)

Your Annual Accounts [24](#)

Wider Scope Requirements [26](#)

Audit Quality and Our System of Quality Management [53](#)

Purpose of Our Report and Responsibility Statement [54](#)

02 Sector Developments

Sector Developments [56](#)

03 Appendices

Action Plan [61](#)

Audit Adjustments [70](#)

Our Other Responsibilities Explained [79](#)

Independence and Fees [80](#)

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 audit quality objectives for this audit:

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

I have pleasure in presenting our update report to the Audit Committee (“the Committee”) of Stirling Council (“the Council”) for the 2023/24 audit. The report summarises our findings and conclusions to date 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 August 2024.

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

Conclusions from our testing to date

Based on our completed audit procedures we have issued an unmodified audit report.

Our work around whether the Management Commentary and Annual Governance Statement complying with the statutory guidance and proper practice and are consistent with the Annual Accounts and our knowledge of the Council is still on going. We provided management with comments and suggested changes based on review of the first draft of the Annual Accounts and have received an updated version confirming compliance.

A summary of our work on the significant risks is provided in the dashboard on page [10](#).

One material error has been identified, which management have corrected for, and there has been one noted uncorrected misstatement. These misstatements were in excess of our reporting threshold of £0.326m and are discussed further on [pages 72-78](#), within the Appendix to this report.

These misstatements 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

Our audit is now complete and we have issued an unmodified audit opinion.

Conclusions from wider scope audit work

Financial management – effective budget setting and monitoring arrangements are in place. The 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. Due to the workload pressures of the ERP system being in its implementation phase, there are 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 2023/24 and budgeted in 2024/25 by using one-off solutions including use of reserves, which is unsustainable in the medium to longer-term. The level of reserves is in danger of falling below the Council's minimum level.

While management have prepared a Medium-Term Financial Plan (presented to Council 12 December 2024), funding gaps of £12.9m and £8.4m are projected over the next two years. The Council is therefore not financially sustainable without the identification of significant recurring savings.

The Council has made positive steps towards identifying recurring savings and has engaged with the Council's residents as part of the 'Big Conversation' in providing ideas and suggestions for such savings which both lead to recurring savings but also align with the strategic priorities of the council.

Appropriate Capital Planning and Treasury Management processes are in place at the Council, with clear proposals through budget and reporting to council apparent.

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.

1.3 Partner Introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

Vision, leadership and governance – The Council has a Vision and Strategy in place as evidenced by its 10 strategic priorities which are forward looking, ranging from 2022-2027. The Council has ensured it has reflected the needs of the community within its strategic objectives and is actively developing ways to continue to engage with the community to evaluate and improve these priorities.

The Council have made appointments to key senior leadership roles – notably the new Chief Executive and the recent appointment of a new Chief Officer - Finance. It is important the new Chief Executive and Chief Officer - Finance bring strong leadership providing stability to the Council, given recent turnover in the senior team. The Council needs to continue to operate constructively with strong cross-party relations. Effective governance arrangements are in place, including the updated Local Code of Corporate Governance and an effective Audit Committee. The Audit Committee plays a key role in the governance arrangements. In line with best practice, we recommend that the Committee continues to 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.

Use of resources to improve outcomes – The Council has appropriate service review procedures in place but should continue to develop its Performance Management Framework based on feedback received from the elected members.

There are appropriate arrangements in place to comply with the Statutory Performance Indicators (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 Best Value Assurance Report (BVAR). The Council has a clear understanding of areas which require development.

1.4 Partner Introduction (continued)

The key messages in this report (continued)

Conclusions from wider scope audit work (Continued)

Next steps

An agreed Action Plan is included on pages [61 to 65](#) 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 2023/24 assessing Workforce Innovation and how the council is responding to workforce challenges.

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 [55 to 59](#) 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.

Ian Howse
Lead audit partner

Annual Accounts Audit










2.1 Quality Indicators

 Lagging
  Developing
  Mature

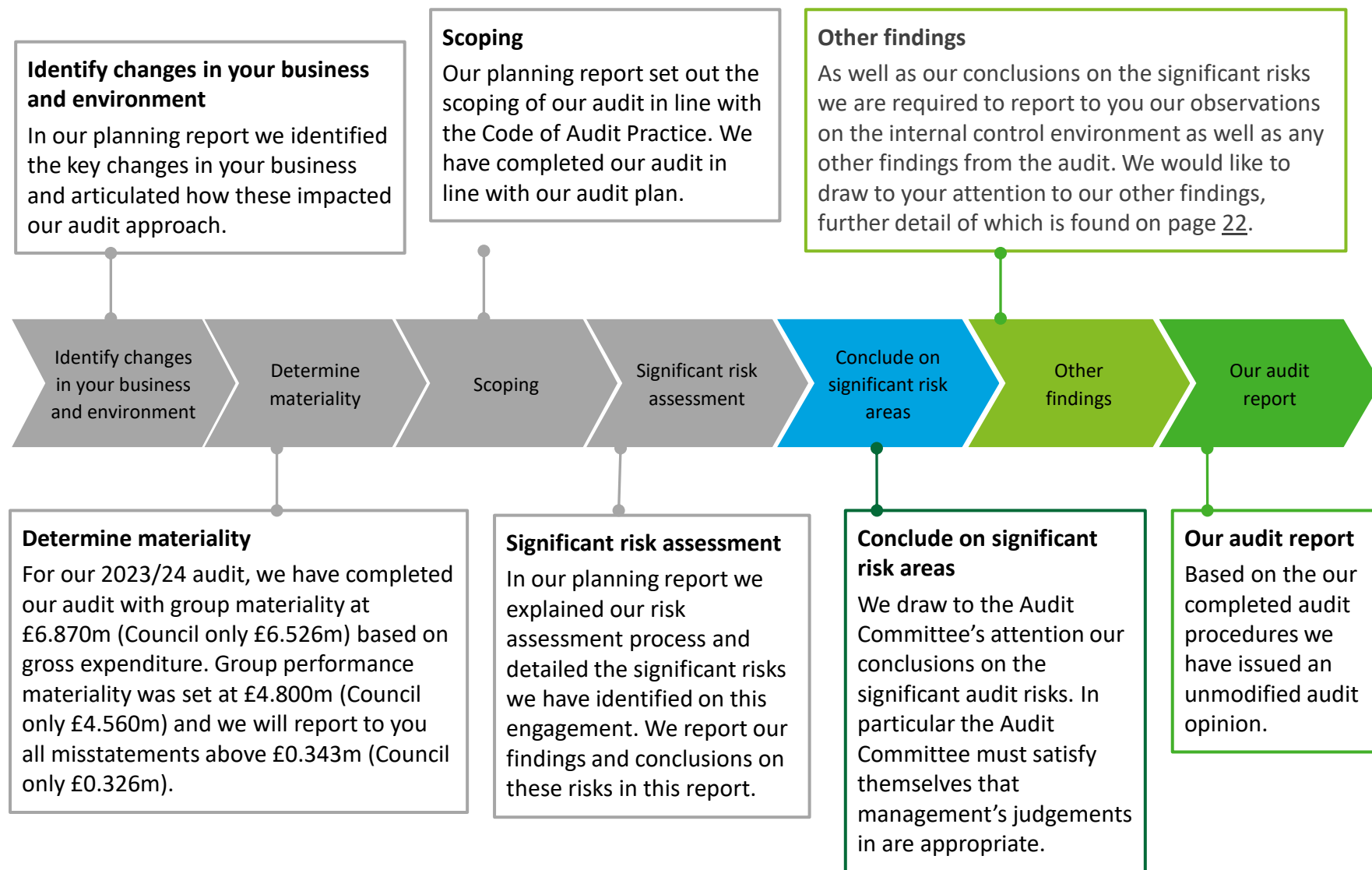
Impact on the execution of our audit

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
Timing of key accounting judgements		Documentation supporting management's assessment of key estimates – including pensions, provisions and property valuations – was provided on time.
Adherence to deliverables timetable		Management adhered well to the deliverables timelines throughout the audit. An improvement from the 2022/23 audit.
Access to finance team and other key personnel		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. However, Deloitte had an increased onsite presence during the initial phase of the 2023/24 audit which was an improvement from 2022-23, in terms of access to finance and other personnel. We recognise that the extended audit period has put pressure on the limited number of finance staff when typically, they would not be dealing with audit queries.
Quality and accuracy of management accounting papers		The quality and accuracy of management accounting papers that were received as part of the audit were to a good level.
Quality of draft Annual Accounts		The initial draft of the Annual Accounts received for audit required over twenty comments to be addressed, along with certain areas such as the governance statement requiring rework since they had not been updated from the previous year. The Council should review this ahead of the 2024/25 audit as an area for improvement.
Response to control deficiencies identified		Control Deficiencies have been noted in our work as discussed at page 18 .
Volume and magnitude of identified errors		Misstatements and Disclosure Misstatements have been identified during the audit, as set out on pages 72-78 .










3.1 Our Audit Explained

We tailor our audit to your business and your strategy



4.1 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			Ineffective – See Pages 18-21	
Property valuations			Ineffective – See Pages 18-21	
Capital Expenditure			Ineffective – See Pages 18-21	

Controls approach adopted

 Assess design & implementation

Consistency of judgements with Deloitte's expectations

-  Consistent
-  Improvement required
-  Inconsistent

4.2 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 sample 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:

- Reviewed 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 evaluated 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 judgments 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 in our work. However, a control deficiency relating to this area has been noted, as discussed at [page 19](#).

4.3 Significant Risks (continued)

Management override of controls (continued)

Key estimates and judgements The key estimates and judgments in the Annual Accounts includes those which we have selected to be significant audit risks around property valuations (see page [13](#)) and capital expenditure (see page [14](#)). These are inherently the areas in which management have 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 asset (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')	<p>The Council currently has one PFI project and one PPP contract for the provision of education buildings, their maintenance and related facilities: Balfron High School and Stirling Schools.</p> <p>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.</p>	<p>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.</p> <p>We are satisfied with our work to date that the PFI/PPP liability recognised in the accounts is in line with the models and there is no indication of management bias.</p> <p>We have challenged management's accounting treatment and concluded that the net book value has been appropriately disclosed.</p>

4.4 Significant Risks (continued)

Property valuations



Risk identified and key judgements

The Council held £706.122m of property assets (Council dwellings, land & buildings) at 31 March 2023 which decreased to £678.860m as at 31 March 2024 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.

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;

- reviewed 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. To date, and as per the guidance, it has initially concentrated on the school estate. The Council are also progressing through the review of its offices, community and library estate, and has expanded its scope for its programmed Condition Reporting to include an assessment on concrete specifically. During 2023/24, the Housing Service identified RAAC in a corridor area of a Sheltered Housing Development. A structural engineer examined the material and noted it was in good condition and has no impact on the property structure. However, this material will be subject to an annual inspection. The identification of RAAC in the council housing stock was reported to the Scottish Housing Regulator during 2023/24.

Deloitte view

We have not identified any instances of error within property revaluations for 2023/24 in our work. However, a control deficiency relating to this area has been noted, as discussed at [page 18](#).

4.5 Significant Risks (continued)

Capital Expenditure



Risk identified and key judgements

The Council has a significant capital programme, and had budgeted £47.826m for capital works during 2023/24 (2022/23: £47.668m). Key projects include investment in the education estate, roads infrastructure improvements and expenditure associated with the City Region Deal.

Where the Council develops properties as part of its capital programme, determining whether or not expenditure should be capitalised can involve judgement as to whether costs should be capitalised under International Financial Reporting Standards. The increasing pressures on the revenue budgets increases the risk of amounts being incorrectly capitalised.

The Council has a significant assets under construction balance for current ongoing capital projects (£17.050m as at 31 March 2023). The timing in which projects are completed and assets are brought into use directly impacts the level of depreciation incurred by the Council and as such is an area that we judge could be open to management override.



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;
- Reviewed the design and implementation of controls around the capitalisation of costs and tested 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 regards 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

Based on our procedures and testing, we have not identified any instances of material misstatement within Capital Expenditure. However, a control deficiency relating to this area has been noted, as discussed at [page 18](#).

5.1 Other Areas of Audit Focus

Defined benefits pension scheme

Background

The Council participates in two defined benefits schemes:

- Scottish Teachers' Superannuation Scheme (STSS), administered by the Scottish Government; and
- The Falkirk Pension Fund (FPF), administered by Falkirk Council.

STSS is a defined benefit scheme accounted for as a defined contribution scheme and therefore our work and the commentary that follows relates to the FPF.

The net pension fund position has moved from a net asset of £10.446m in 2022/23 to a net asset of £45.178m in 2023/24. This movement is largely as a result of an increase in the corporate bond yield, upon which the discount rate is derived, which has led to an unrealised gain of around £35m on the balance sheet.



Deloitte response

- We assessed the independence and expertise of the actuary (Hymans Robertson) 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 (CPI)(% p.a.)	2.8	Appropriate
Salary increase (% p.a.)	33	Appropriate
Discount rate (% p.a.)	2.7	Appropriate
Mortality - Life expectancy of a male/female pensioner from age 65 (currently aged 65)	20.4/23.2	Appropriate
Mortality - Life expectancy of a male/female pensioner from age 65 (currently aged 45)	20.9/24.8	Appropriate

Deloitte view

We identified one misstatement in relation to the asset ceiling as detailed on page [73](#). We found no further issues relating to the accounting for the pension within the Councils Annual Accounts.

5.2 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 there are no material weaknesses in the control environment and there is no history of errors or audit adjustments. This has 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 table opposite, based on the median amount, the Council would need to omit over 62,152 invoices (PY: 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 1,069 invoices (PY: 5,220 invoices) were processed. We therefore concluded that a risk of material misstatement was remote.
- Analytical review and sample testing 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	£105
Average number of invoices processed per month	9,626
Number of invoices that would need to be unrecorded to cause a material misstatement	62,152
Total invoices processed in April 2024 (one month after year-end)	1,069 (total value £4.811m)

Deloitte view

Based on our sample testing and analytical procedures that we have completed, we have not identified any errors in the recognition of expenditure in accordance with the requirements of the Code of Practice on Local Authority Accounting.

5.3 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 (CSCTs) and the Dunblane Cemetery Memorial Garden (Maintenance) Trust.

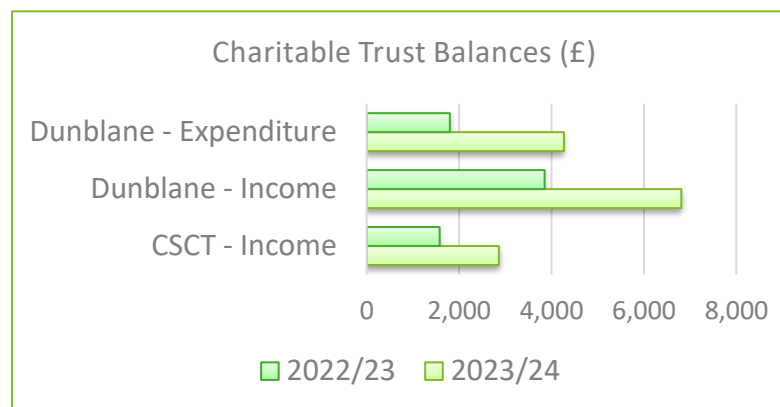
As the gross income of the CSCTs is less than £0.100m, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with The Charities Accounts (Scotland) Regulation 2006. Fully compliant Charities SORP accounts are therefore not required, and disclosure is limited to that specified in the Regulations. The Dunblane Cemetery Memorial Garden (Maintenance) Trust income is also less than £0.100m, 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 now complete, and we have noted a material Prior Year Adjustment which has been corrected for by the Council and documented on [page 73](#). Furthermore, we have raised a control deficiency around lack of segregation duties in place for the review of journal postings. This is in line with the control deficiency we have noted as part of our work on the Council itself – more information is on [page 19](#).

We have issued an unmodified audit opinion. As noted above, the Dunblane Cemetery Memorial Garden (Maintenance) Trust income is less than £0.100m 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 was raised as a recommendation that the Council have confirmed they will be considering for the 2024/25 accounts.

6.1 Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Lack of robust controls in place for overarching sign off for classification of expenditure being capital or revenue in nature.</p> <p>The Council has described that there are iterative, active and ongoing reviews in place for determining if spend has been classified correctly as capital or revenue in nature. However, there is no documented evidence of an overarching sign off in place from senior members of the Finance Team. Therefore, we cannot deem the implementation of any review/controls in place to be effective.</p>	<p>The controls that the Council describe are appropriate, however we recommend that work is done to demonstrate that evidenced reviews are in place and occur throughout the year and at year end. Such evidenced review would show the determination of expenditure being appropriately classified between revenue and capital is approved by the Senior Finance Team and would allow for these controls to be classed as being designed and implemented effectively</p>	<p>The classification of capital expenditure and revenue vs capital review is undertaken throughout the year by various members of the Finance Team, including the Finance Team Leader, all of whom diligently undertake this task with professional and working knowledge of accounting standards and code of practice. Finance will identify improvements that could be made to document a formal “sign off” providing these do not cause any additional, unnecessary or duplicate work within the finance team. Finance are satisfied that existing practices are sufficient to evidence this classification but will consider what may be best practise in this respect. Finance will also consider the introduction of a de-minis limit for capital expenditure should that be appropriate.</p>

6.2 Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Lack of segregation of duties in place for review of journal postings.</p> <p>The council does not have a specific process in place covering the approval of individual journals, as such we have identified a risk to segregation of duties and self-review. This also applies to the Charitable Trusts.</p>	<p>Deloitte understand that management is aiming to address this has part of the move to the new system for the 2024/25 year.</p> <p>We recommend that this is appropriately documented in order to provide robust evidence of this control being implemented.</p>	<p>In the old financial systems, certain users within service areas were able to create journals but these had to be approved / posted by Finance. Finance were able to create and approve their own journals, although there were instances where this was done by different individuals.</p> <p>This has been fully addressed in the new financial system for 2024/25 whereby journal approval groups now require a segregation of duties.</p>
<p>Transfers from Assets Under Construction before assets are fully completed</p> <p>During the audit, management at the Council made Deloitte aware of an instance where assets that are not yet available for use were reclassified from Assets Under Construction. Management have attributed this to loss of knowledge due to turnover of key finance staff.</p>	<p>We recommend that more robust controls are in place that can accurately monitor the state of completion on all projects included within Assets Under Construction, and a corresponding control to be implemented to not allow any transfer out of Assets Under Construction to be made until it is approved that the project is fully completed.</p>	<p>Finance will review the internal guidance on Assets under Construction and ensure this is updated to make it clearer as to the evidence required to confirm completion. Working papers will also be reviewed to ensure there are clearer references / rationale for transfers of completed AUC.</p>

6.3 Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Overstatement of infrastructure additions – inadequate supporting documentation</p> <p>During our audit procedures, we noted that sufficient supporting documentation for the addition of two infrastructure assets was not available.</p> <p>These additions involved reclassification between cost centres/projects. We requested for a detailed breakdown of these costs being reclassified. Management indicated that a breakdown of actual costs could not be provided as the reported amounts were based on estimates generated from the road costing system</p>	<p>To strengthen internal controls and ensure accurate financial reporting, management should ensure that all reported costs, including reclassifications, be fully supported by valid and auditable documentation.</p> <p>This includes original source documents, a clear audit trail demonstrating cost movement between projects and cost centres, and a formalized, documented estimation methodology when actual costs are unavailable</p>	<p>In this instance, the reclassification of costs had to be based on the original project estimates as the functionality to allow actual costs to be identified was not available. Finance were satisfied with this “best estimate” approach given that actuals were not available. Consideration will be given to these recommendations as part of move to new system and interactions with other feeder systems.</p>

6.4 Your control environment and findings

Control deficiencies and areas for management focus

Observation	Deloitte recommendation	Management response and remediation plan
<p>Charities - Documentation</p> <p>During our charities testing we have identified that there is a lack of documented communication and approval between the Council and the Charities. This is in respect of:</p> <ul style="list-style-type: none">- Loans fund balances- Loans fund income- Expenditure approval <p>It is important that the trustees are able to assess the performance of the charities and there is a clear line of separation between the Council and the charitable trusts it administers.</p>	<p>We recommend that formal communications are in place between the Council and the Charity during the year which have a corresponding audit trail to demonstrate oversight.</p>	<p>This will be reviewed and formalised as necessary.</p>

7.1 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](#).

Furthermore, we have discussed the Council's response to the risks around the implementation of the ERP system, which is discussed further on page [49](#).

Finally, we have discussed the Council's restatement of their Prior Year Comprehensive Income and Expenditure Statement (CIES), in which the Council have altered their internal reporting and have reallocated a number of cost centres which impacts the presentation and allocation of lines within the CIES.

The CIPFA code requires that the CIES matches the internal reporting and therefore the 23/24 Annual Accounts have been presented on this basis. The restatement of the prior year (22/23) to allow comparability year on year has been appropriately completed, in line with the CIPFA code requirements.

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. The impact of this change has been considered for the 2023/24 accounts as the Council is required 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 we identified in our audit plan, 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.

8.1 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 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 Report 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 [24](#).

9.1 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.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>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.</p> <p>From receiving an updated version of the Annual Accounts, our work is still ongoing to determine that, following updates made as agreed during the audit, the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading</p>
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.	The remuneration report has been prepared in line with the guidance, and it is consistent with our knowledge and is not otherwise misleading.
The Annual Governance Statement	The Annual Governance Statement reports that the Council's governance arrangements provide assurance, are adequate and are operating effectively.	<p>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.</p> <p>The original version of the Annual Governance Statement received for audit was not updated from 2022/23, and so on receiving the most recent updated version of the Annual Accounts, our work is still ongoing to determine that, following updates made as agreed during the audit, the Annual Governance Statement is consistent with the Annual Accounts, our knowledge and the accounts regulations.</p>

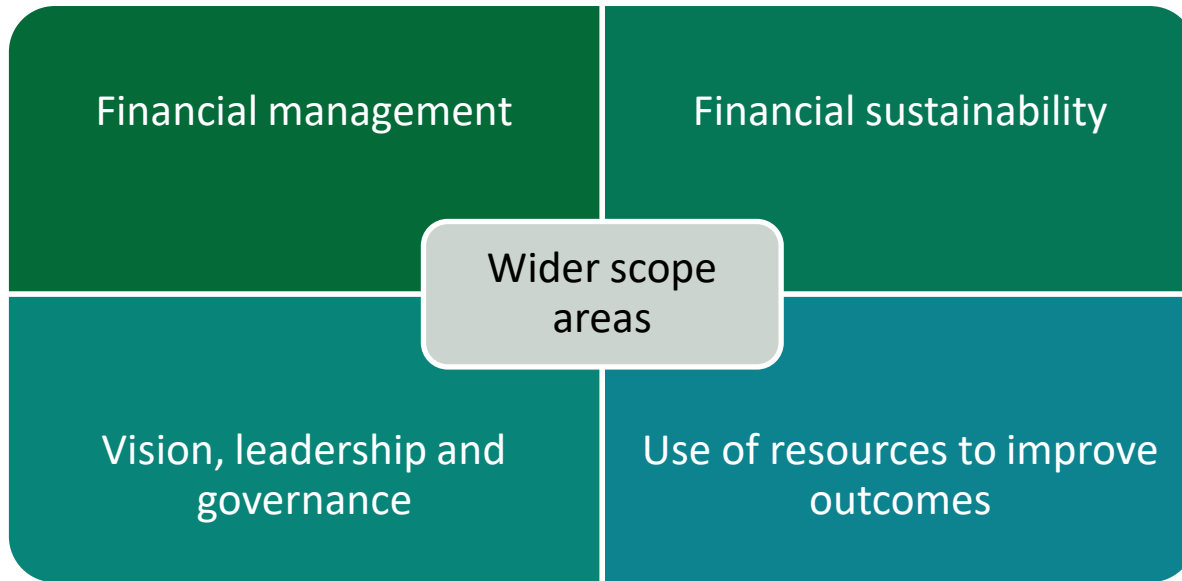
Wider Scope Audit



10.1 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.



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.

10.2 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 new ERP system which went live in April 2024. From our planning work, 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 **2023/24 General Fund budget** was approved by the Council on 2 March 2023. This was on the basis of maintaining uncommitted reserves at the same level, with no planned use for 2023/24. The budget has been updated throughout the year to include in year movements with the final outturn reporting an underspend of £1.608m. This position has improved throughout the year from the initial position where the Council were projecting a deficit position of £17.648m before savings plans were in place.

The Council did identify areas of savings in 2023/24 but did utilise £5.350m of earmarked reserves and £3.712m of service concession reserves to help support the 2023/24 budget position.

We have considered the reserves position further on page [34](#). 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.

10.3 Wider Scope Requirements (continued)

Financial management (continued)

Current year financial performance (continued)

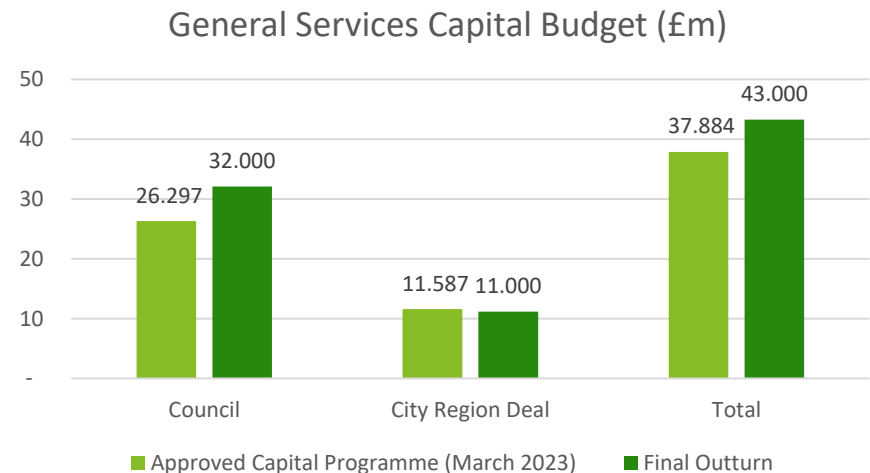
In setting its budget, the Council recognised a number of key risks, with the future pay negotiations and issues around future local government finance settlements being the most significant risks to the Council. It also highlighted the wider risks reflecting the continued economic uncertainty. These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

- A net overspend of £0.744m in the Balfron PFI and Stirling Schools PPP due to higher inflation rates that impacted on contractual costs.
- The **2023/24 Housing Revenue Account (HRA)** budget showed projected expenditure to be £24.202m, with the HRA reserves being maintained at £0.986m. Updates have been reported to members throughout the year as part of the normal reporting cycle. The final outturn position was an overspend of £0.919m, which can mainly be attributed to overspends in Repairs and Maintenance, Other Property Costs and Capital Financing Charges.

The **2023/24 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 £1.478m against the original budget of £18.026m. This has largely arisen due to expenditure on new house building projects, renewable technologies and external works.

The **2023/24 General Services Capital Programme** was approved by the Council on 2 March 2023, 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.



10.4 Wider Scope Requirements (continued)

Financial management (continued)

Finance capacity

There have been a number of changes in the finance team during the year, notably the recent appointment for the position of Chief Officer - Finance in October 2024.

At an operational level, the finance team are significantly stretched. This is, to a large extent, as a result of the Council implementing a new Enterprise Resource Planning (ERP) system and the ongoing demands it requires since its implementation in April 2024. This has resulted in a large proportion of the finance teams time being re-directed and therefore impacting their day to day responsibilities.

We have considered the progress with the ERP implementation in more detail on page [49](#).

10.5 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 but due to be refreshed in 2024/25.

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have reviewed all internal audit reports published throughout 2023/24. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2023/24 Internal Audit Plan was approved by the Audit Committee in March 2023.

The plan included 725 audit days assigned across a number of reviews. 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 October 2024 highlighted that 13 '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 2023/24 was considered by the Audit Committee in August 2024. 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 2023/24.

10.6 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 2022/23". Going forward Audit Scotland will issue fraud updates as part of its quarterly bulletins the Council should ensure it familiarises itself with these when available. 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. The NFI Exercise occurs biannually. The Councils Counter Fraud Officers are liaising with services to ensure all data is collated and uploaded to secure NFI portal in line with the required timescales.

We have therefore concluded that the Council is fully engaged in the exercise.

Deloitte view – financial management

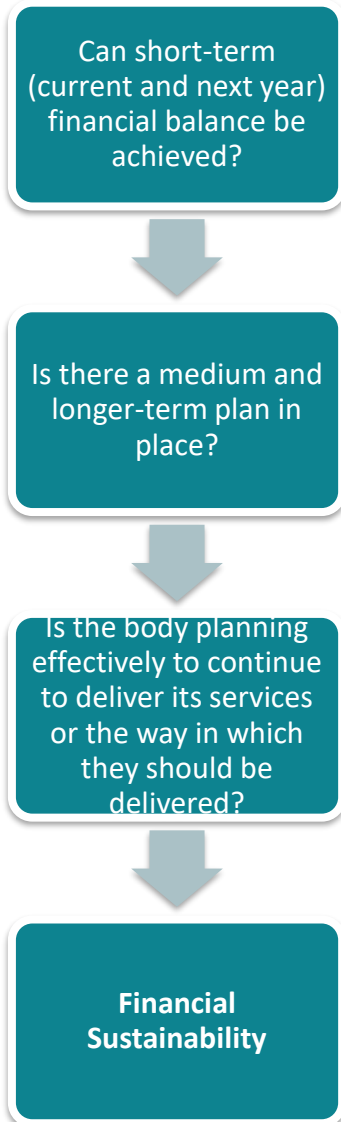
The Council continues to have effective budget setting and monitoring arrangements in place. The reporting could be enhanced to provide more information on changes in budgets.

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.

An independent internal audit function is in place and there are appropriate arrangements for the prevention and detection of fraud and error.

10.7 Wider Scope Requirements (continued)

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 2024/25 budget is projecting a £16.328m budget gap with the assumptions that £7.379m mitigations can be delivered;
- Pressures on expenditure including public sector pay costs and inflationary pressures not being met by increased income, resulting in a net budget gap in 2024/25 of £23.707m before agreeing savings options;
- Indicative gaps of £25.452m and £33.258m identified for 2025/26 and 2026/27 respectively.

We have considered these aspects on the following pages.

2024/25 budget setting

The Council approved a balanced budget of £303.188m for 2024/25 on 23 February 2024. The paper presented to members included an initial budget gap of £16.328m (5% of the Council's expenditure).

The budget paper noted the proposals for recurring savings to take place over a two-year period spread across 2024/25 and 2025/26 to help with the budget gap identified. Such proposals included savings across Business as Usual (BAU) areas and Policy Savings.

However, for 2024/25 specifically, only £10.532m worth of such recurring savings had been proposed to fund the budget gap of £16.328m. Leaving the remaining £6m to be funded by the likes of use of reserves (before council tax assumption) which is not sustainable.

10.8 Wider Scope Requirements (continued)

Financial sustainability

2024/25 budget setting (continued)

In order to agree a balanced position, members agreed to the following to address the budget gap of £16.328m:

Decision	£m
Budget Gap Before Member Considerations	16.328
Council Tax Assumption	(2.923)
HSCP Savings Target	(0.247)
BAU Savings Proposals	(5.028)
Policy Savings Proposals	(5.504)
Repurposed Earmarked Reserves	(3.052)
Remaining Budget Gap / (Surplus)	(0.426)

In line with the process for setting the 2023/24 budget discussed on page [27](#), 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.

10.9 Wider Scope Requirements (continued)

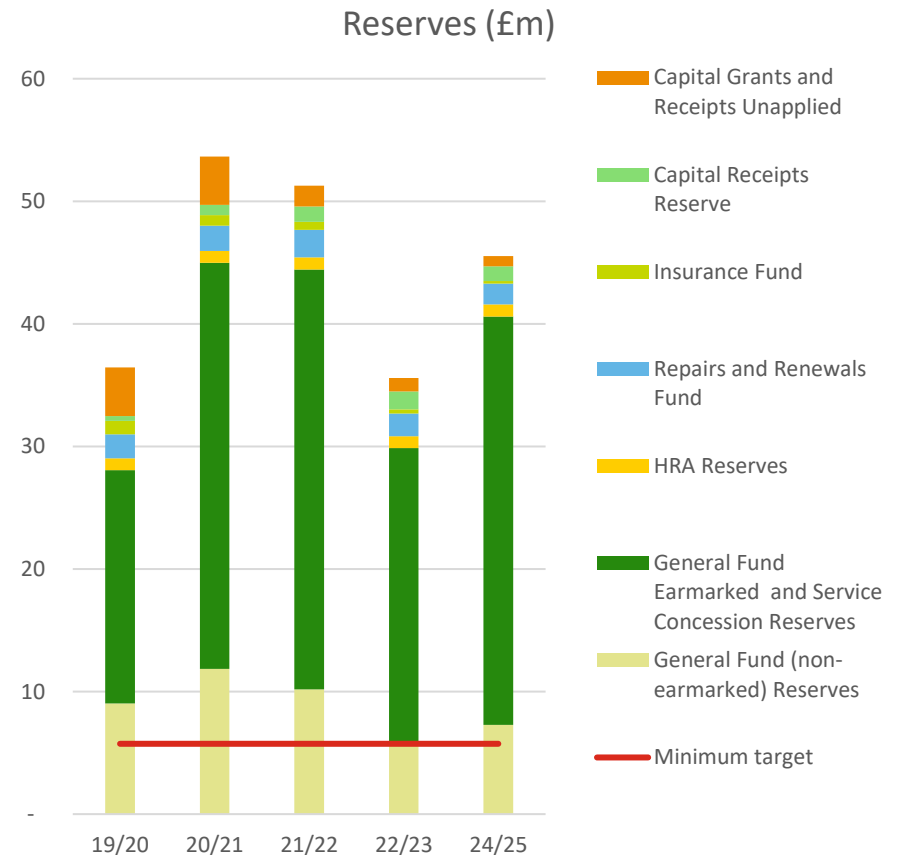
Financial sustainability

Reserves

At the time of approval of the 2024/25 budget on 23 February 2024, 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 2024/25.

As discussed on page [27](#), the Council ended 2023/24 in an overspend position and as a result was required to use reserves to support this outcome. The Council is still above their minimum target of 2% but are in danger of breaching this given the continued use of reserves to help fund budget gaps. Despite in 2023/24 using some of the benefit from the service concession flexibility to top-up the uncommitted reserves, this approach is unsustainable in the medium to longer term.

The reserves position as at 31 March 2024, and the previous four years is illustrated opposite:



All earmarked reserves are reported to Committee outlining the purpose and timelines for monies to be used.

Over the past 2 years, Council has approved the use of reserves to help balance the annual revenue budget. Both elected members and senior management team are well aware that this is not a sustainable budget solution, with the focus on future budget setting being on identifying sustainable recurring budget savings.

Although the latest position of the level of reserves is not below the minimum 2 percent target, it is very close and future overspends could drive this level below the 2% target. Therefore, in our view, the risk to financial sustainability remains significant.

10.10 Wider Scope Requirements (continued)

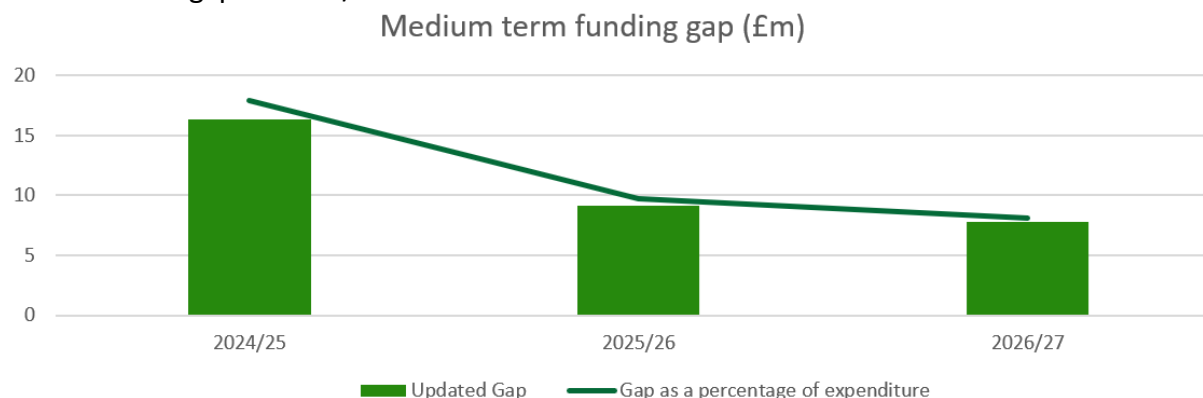
Financial sustainability

HRA and Capital Investment 2024/25

The General Services Capital Programme for 2024/25 was approved by Council on 29 February 2024, where total capital investment of £26.964m was approved. This included slippage from 2023/24 capital projects worth £11.828m that have been re-profiled from 2023/24 to the 2024/25 capital programme. This displays a lack of robust and realistic capital budgeting currently in place at the Council as well as a clear lack of delivery with 43% on the 2024/25 budget being that re-profiled from the prior year.

Medium-to-long term financial planning

At the same time as setting the 2024/25 budget, the Council set out indicative financial plans for the following two financial years after 2024/25. The latest indicative gap to 2026/27 is illustrated below.



As explained on page [32](#), a number of one-off solutions were agreed to address the gap in 2024/25, however, but there are currently no plans in place to address the expected gaps in future years. The Council cannot therefore demonstrate it is 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 approved at the December 2024 Council meeting. 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.

10.11 Wider Scope Requirements (continued)

Financial sustainability

Medium-to-long term financial planning (continued)

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

10.12 Wider Scope Requirements (continued)

Financial sustainability

Deloitte view – Financial sustainability

The Council has set a balanced budget for 2024/25; However, this was only achieved by using one-off solutions including use of reserves which is unsustainable. The level of reserves as of 31 March 2024 was at the lower end agreed in the Council's reserves strategy and the latest monitoring reports for 2024/25 indicate an overspend is projected which would reduce the uncommitted reserves to below the minimum level. While management are in the process of preparing a Medium-Term Financial Plan (due to be presented to Council 12 December 2024), funding gaps of £12.9m and £8.4m are projected over the next two years. The Council cannot therefore demonstrate it is financially sustainable and urgent action is required.

The Council has made positive steps towards identifying recurring savings and has engaged with the Council's residents as part of the 'Big Conversation' in providing ideas and suggestions for such savings which both lead to recurring methods but also align with the strategic priorities of the council.

We have considered the impacts to workforce over the medium to long term as part of our Best Value thematic work on Workforce Innovation as discussed further in our separate report.

Appropriate Capital Planning and Treasury Management processes are in place at the Council, with clear proposal through budget and reporting to council apparent.

However, there is considerable slippage in capital projects worth £11.828m that have been re-profiled from 2023/24 to the 2024/25 capital programme. This displays a lack of robust and realistic capital budgeting currently in place at the Council as well as a clear lack of delivery with 43% on the 2024/25 budget being that re-profiled from the prior year.

10.13 Wider Scope Requirements (continued)

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

The Council's 3-Year Business Plan shows how they are making progress on that strategy and its associated priorities. It sets out the actions that the Council are taking to achieve their four strategic outcomes of equality, financial sustainability, net zero, and a strong economy, identifying the key actions that services will work towards in the next three years.

The Council's Strategy is underpinned by the Council's ten strategic priorities, agreed by the Council in December 2022 and to be delivered within the five years of its term (2022-2027).

Sustainable approaches are a part of the Council's 10-year Strategy 'Thriving Stirling'. The impacts on sustainability are outlined in all reports to Council and Committees.

Leadership

There is evidence within the Council that leaders pull together well in a crisis. They have learned to adapt to competing and complex pressures since the pandemic. There is the risk that such a learned environment, with ongoing, conflicting pressures of resource, instils a 'fire-fighting' mentality, leading to staff burnout, and some distortion of priorities. It will be important for the corporate management team to retain a good temperature check of the workforce and monitor the pace and visibility of transformational change to keep staff engaged during a period of significant upheaval.

Furthermore, in addition to several officer changes, such as the appointment of a new Chief Executive in June 2024, there have been three by-elections in quick succession. Such change will have to be monitored closely to ensure stability within the Council.

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

10.14 Wider Scope Requirements (continued)

Vision, leadership and governance (continued)

Governance and scrutiny arrangements

The Local Code of Corporate Governance in place 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. It is important that the Council maintains governance with all parties represented.

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, it has also begun the process of self-evaluation of the effectiveness of the Committee in order to ensure that the governance and scrutiny framework is continually improving. We recommend that the Audit Committee continues to carry out this 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, along with the associated self-assessment of good practice checklist [Support for audit committees \(cipfa.org\)](https://www.cipfa.org.uk/support-for-audit-committees). This would allow the Committee to identify any training needs or changes to the operation of the Committee

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.

10.15 Wider Scope Requirements (continued)

Vision, leadership and governance (continued)

Deloitte view – Vision, leadership and governance

The Council has appropriate Vision and Strategy in place as evidence from its 10 strategic priorities which are forward looking, ranging from 2022-2027. The Council has ensured it has reflected the needs of the community within its strategic objectives and is actively developing ways to continue to engage with the community to evaluate and improve these priorities.

The Council have made recent appointments to senior leadership, – notably the new Chief Executive and the recent appointment of a new Chief Officer - Finance. It is important the new Chief Executive and Chief Officer - Finance bring strong leadership providing stability to the Council, given the various changes to posts that have taken place within the Council. It is also critical that Council Member relations are strong within the Council. They must be able to lead the Council despite political differences.

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 continues to 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, with all Committee and Panel meetings broadcast live and available on the website.

10.16 Wider Scope Requirements (continued)

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. This was presented to Audit Committee in August 2024 and is in its implementation phase. However, it has potential for refinement based on feedback from elected members on the understandability and volume of information.

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 and 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.

10.17 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 monitoring occurs at the strategic level in the form of the Council's Priorities – it is here that the KPI results are reviewed. There are KPIs in place for outputs and outcome after the Council has adopted the Outcomes Based Accountability (OBA) approach to developing its KPIs;
- 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 Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them;
- Performance reporting dashboards are provided on the Council's websites for various services of the Council; and
- This Annual Performance Report, along with Quarterly Performance Reports to Committees and an Annual LGBF Summary provides transparency on performance of the Council and its services.

Based on the above, we are satisfied that the arrangements are appropriate.

10.18 Wider Scope Requirements (continued)

Use of resources to improve outcomes

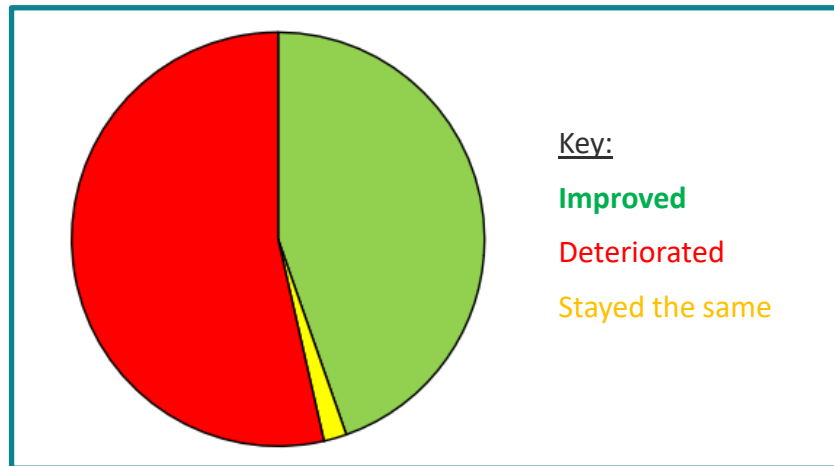
Self-evaluation arrangements

Up-to-date LGBF results are provided to all services and Committees through quarterly performance reporting. We are still awaiting to see how these results have triggered in-depth services reviews within the Council.

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 [51 to 52](#). 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.



10.19 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;
- Over 50% of LGBF indicators are showing a decreasing level of performance;
- There is a large swing in ranking across Scotland, with 45 indicators showing a positive ranking change, offset partly by 51 showing a negative change; and
- This swing is less visible when comparing with Family Groups, with 32 indicators showing a positive change, offset partly by 31 showing a negative change. 45 Indicators have remained ranked the same when comparing with Family Groups.

Deloitte view – Use of resources to improve outcomes

The Council has appropriate service review procedures in place but should continue to develop its Performance Management Framework based on feedback received from stakeholders.

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

10.20 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 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 [46 to 47](#) and the Annual Audit Reports on pages [66 to 71](#). Our risk-based work is considered on pages [45 to 47](#).
- 2. Service Improvement and reporting.** We have assessed how effectively the Council demonstrates service improvement on pages [42 to 44](#). We have provided a summary of the information the Council reports publicly on its service performance on pages [51 to 54](#).

3. Thematic reviews. We have reported our conclusions on the thematic work for 2023/24 on “Workforce Innovation – how councils are responding to workforce challenges.” 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 (2025/26).

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.

10.21 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 completed.

Recommendation – August 2019	Status	2022/23 Update	2023/24 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 Operational Governance Board (OGB) in November 2022. An annual plan is now in place and the 2022/23 programme underway. This includes the four Public Service Improvement Framework (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.	In May 2024, the OGB agreed to renew focus on continuous improvement across all service areas of the Council. From July 2024, a rolling three-year PSIF programme commenced, whereby every one of the Council's service areas would undertake PSIF self-assessment every three years. In the first year of this programme, 15 service areas are planned to undertake PSIF continuous improvement comprising: self-assessment survey; a consensus session; and developing an improvement plan.




10.22 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – August 2019	Status	2022/23 Update	2023/24 Update
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.		<p>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.</p> <p>A new customer service strategy is planned for the 3rd quarter of 2023.</p>	<p>The Customer Experience Strategy was approved by Community Wellbeing and Housing Committee on 7 November 2024.</p> <p>Full end to end customer journey audits are dependent on the complete rollout of a (Customer Experience) platform which will provide a single joined up view of the customer and their interactions with the council, covering both front and back office services and will cover service delivery, timeliness, information provided, professionalism and staff attitude at first point of contact and overall satisfaction with Stirling Council.</p> <p>Until a joined up customer journey is available the council will continue to seek feedback on customer satisfaction at an individual interaction level, with front office user surveys in place for Contact Centre interactions, MECS service users and Digital Services via the Stirling.gov website feedback. Individual services continue to seek feedback on aspects of service delivery through local consultations e.g. Housing Services Survey, Waste Survey.</p>



10.23 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – August 2019	Status	2022/23 Update	2023/24 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.	Reported as completed.
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.	Reported as completed.
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.	Reported as completed.




10.24 Wider Scope Requirements (continued)

Follow-up on Accounts Commission findings (continued)

Recommendation – August 2019	Status	2022/23 Update	2023/24 Update
<p>6. The council should develop a more regular and structured approach to staff consultation and engagement.</p>		<p>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.</p>	<p>Completed. In April 2024, a new Enterprise Resource Planning (ERP) system was launched: MyPortal.</p> <p>The Oracle Fusion ERP system includes functionality, which will enable vastly improve communication and engagement with employees</p>
<p>7. The council should complete its residents' satisfaction survey in 2019 and demonstrate how it uses the results to inform future council decisions.</p>		<p>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 from the survey to create improvement action plans.</p>	<p>Findings from the Residents Surveys will inform areas for improvement at the service level, and be included in service level planning from 2024 onwards.</p> <p>Every year, the Council holds a Budget Consultation, as a part of the Budget-setting process. Residents, businesses and others are asked for their views on what services they value and how they are delivered, where the Council could make savings, and what matters most to them. Feedback informs the Council's decisions on setting the budget for forthcoming the year.</p>

10.25 Wider Scope Requirements (continued)

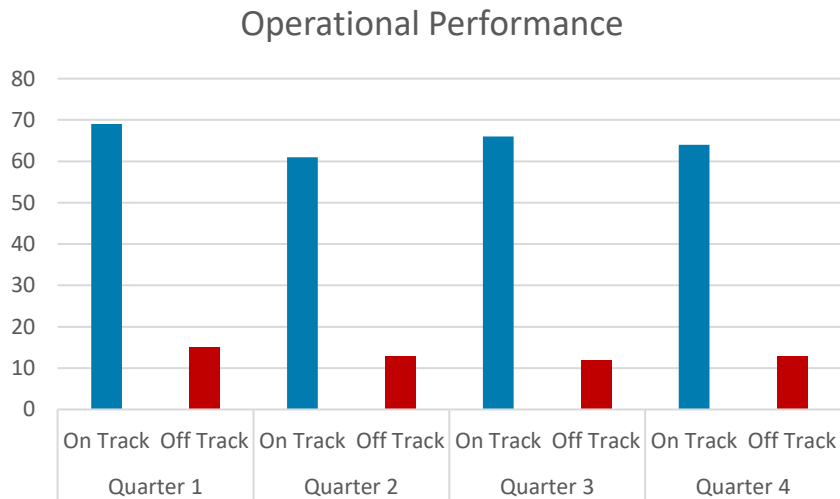
Follow-up on Accounts Commission findings (continued)

Recommendation – August 2019	Status	2022/23 Update	2023/24 Update
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.	Reported as completed.
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.	Reported as completed.
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.	Reported as completed.

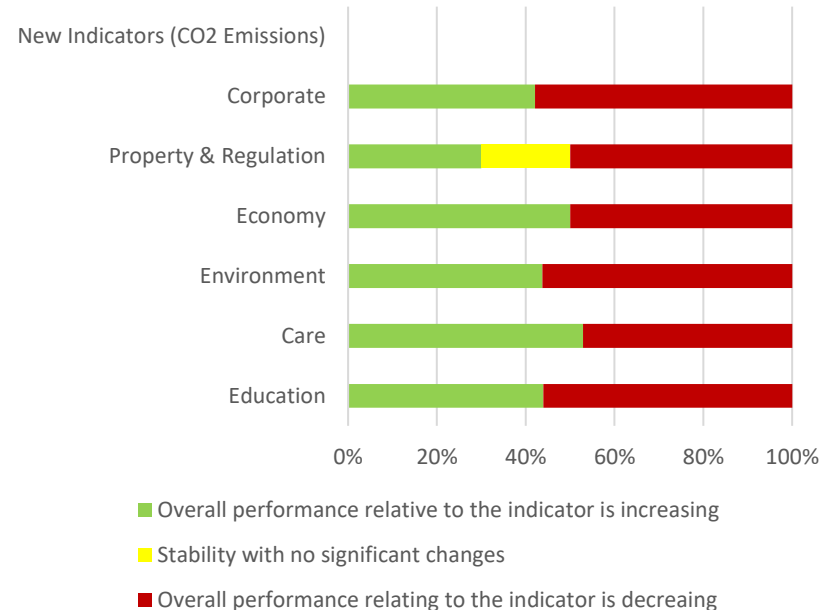
10.26 Wider Scope Requirements (continued)

Service performance

The below data summarises the performance of the Council services that is measured by a range of indicators that either meets targets (on track) or do not meet targets (off track). This performance information is reported to Committees every Quarter:



Overall performance

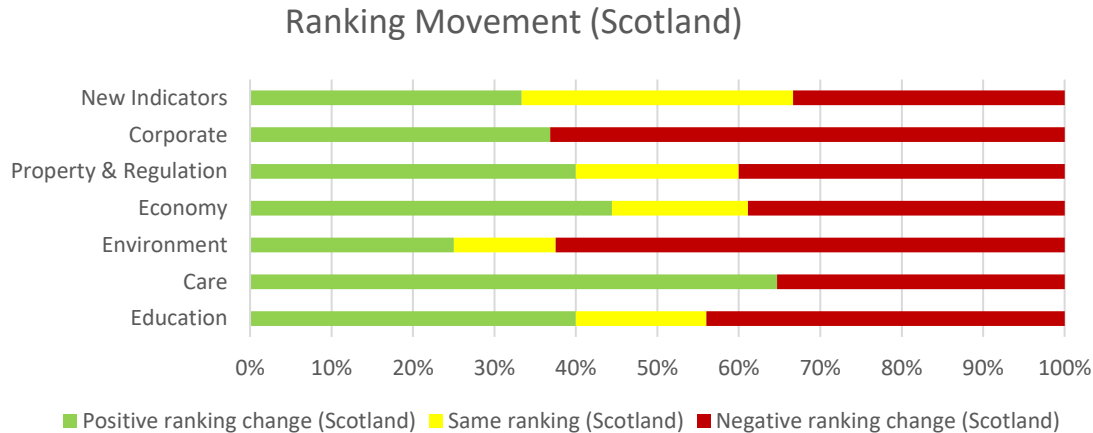


The above data summarises the number of KPIs within each service where overall performance relative to the indicator is increasing, stable or decreasing, as reported in the LGBF report for 2023/24.

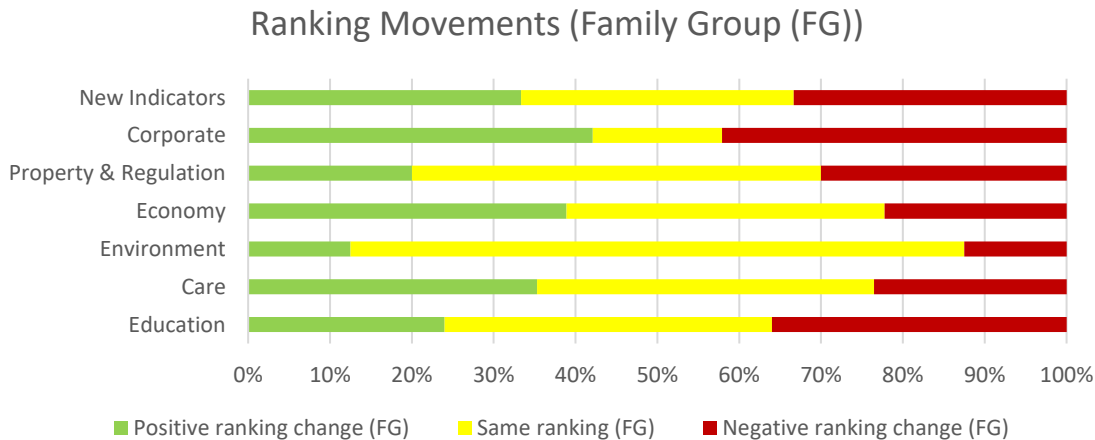
10.27 Wider Scope Requirements (continued.)

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 2023/24.



The above data summarises how Stirling Council's ranking has moved, relative to its Family Group, as reported in the LGBF report for 2023/24.



11.1 Audit Quality and Our System of Quality Management

Our commitment to audit quality

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

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

The effective ongoing operation of ISQM (UK) 1 has been and remains a key element of Deloitte's global audit and assurance quality strategy and of the UK firm.

Deloitte UK performed its second annual evaluation of its system of quality management as of 31 May 2024. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SQM provides the firm with reasonable assurance that the objectives of the SQM are being achieved as of 31 May 2024.

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



12.1 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.

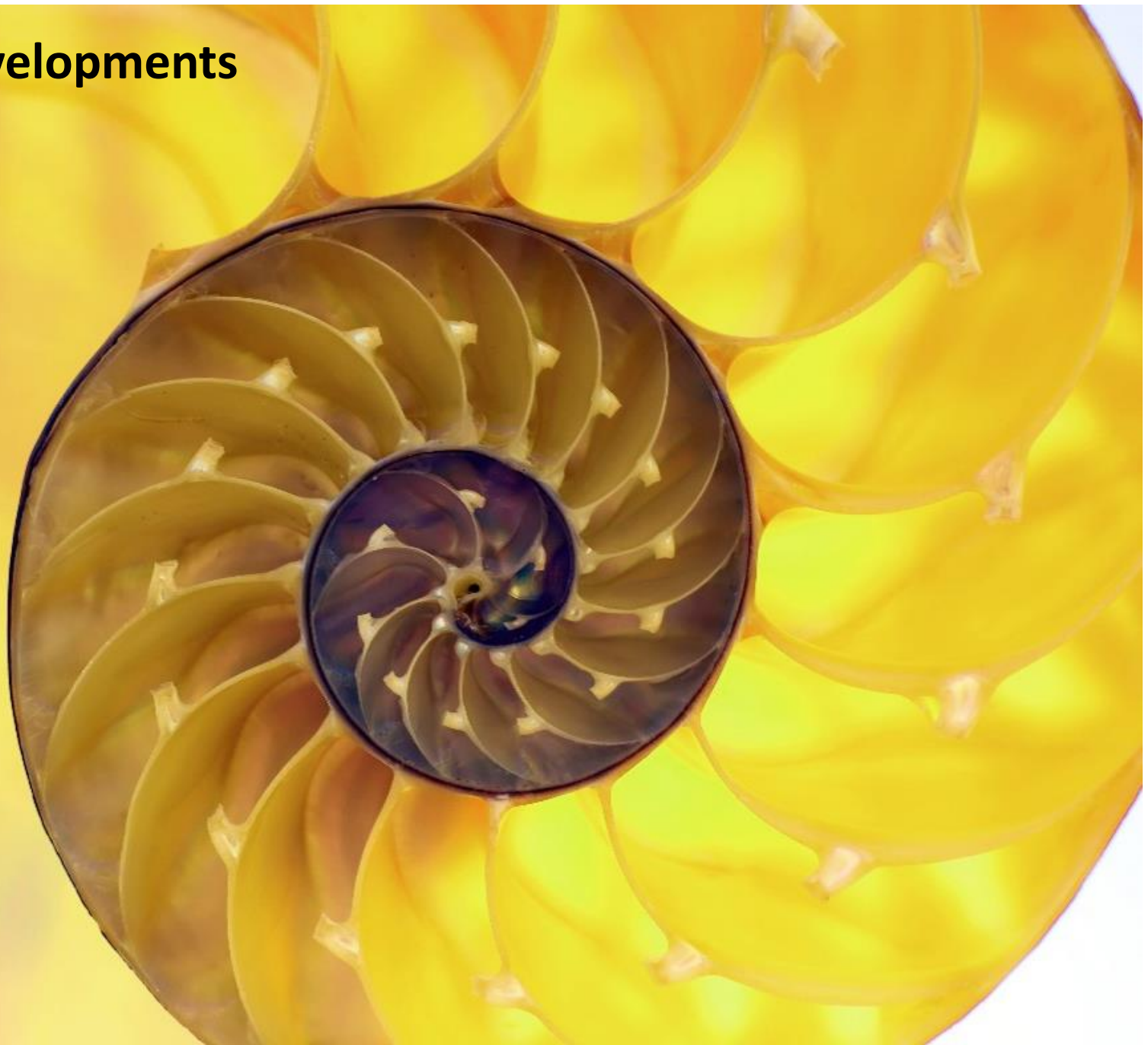
We welcome the opportunity to discuss our report with you and receive your feedback.

Ian Howse

Deloitte LLP

Cardiff | 7 April 2025

Sector Developments



13.1 Sector Developments

Tackling Digital Exclusion

Background and overview

Clearer leadership and focus needed to tackle digital exclusion.

As more key services move online, all public bodies must deliver on their responsibilities to ensure everyone can access the services they need. This includes the one in six Scottish adults who lack the digital skills needed for everyday life.

Digital exclusion impacts people who do not or cannot fully use digital technology. It affects people in different ways. Those who:

- Are unable to afford an appropriate device or internet connection.
- Do not have the skills and confidence to use digital technology have a fear or mistrust of using online services or lack the motivation to do it.
- Have difficulty in accessing digital services and devices or an internet connection.
- Are unable to keep up with the pace of change of digital technology.

Audit Scotland have investigated how well the Public Sector in Scotland are tackling digital exclusion and what more they can do.



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: [Tackling digital exclusion | Audit Scotland](#)

13.2 Sector Developments

Tackling Digital Exclusion

Key messages

- Digital technology has brought benefits to many of Scotland's people and communities.
- In an increasingly digital world not everyone can get the services and support they need or are entitled to.
- This has a severe impact on some people's lives, which public bodies are often not aware of or do not consider when moving services online.
- The public sector response to digital exclusion increased significantly during the pandemic.
- But national leadership for tackling this critical issue has weakened since then and momentum has now slowed.
- Significant pressures on public finances mean that the Scottish Government and councils are making difficult choices about public spending priorities, including reducing the direct investment in tackling digital exclusion.
- All public bodies have a responsibility for enabling digital inclusion in their programmes for reform.

Recommendations (relevant to Councils)

- Build digital inclusion considerations into strategies and design for digital services and reform, aligned with Scottish Digital Services Standards, and carry out equality and human rights impact assessments.
- Provide clear digital and non-digital methods people can use to access the services they need, such as telephone numbers or access to additional support and assisted digital options.
- Work with partners to develop a clear approach to tackling digital exclusion as part of their strategies and plans, based on an understanding of digital exclusion locally, who is affected and how. They should map out local resources and assets across the public, private and third sectors, and provide clear routes to digital support and accessible information on the support available to local communities.

13.3 Sector Developments

Transformation in Councils

Background and overview

Now reform is increasingly urgent – councils have never faced such acute challenges, putting budgets and workforce under severe stretch and strain. Councils and key partners must significantly increase the pace and scale of major changes if they are to protect vital public services.

Next steps

The Council should consider each of the commission expectations on the next page and incorporate into plans where not already considered. The full report is available through the following link: [Transformation in councils | Audit Scotland](#)

Transformation in councils

Sector-led change and collaboration to achieve financial sustainability



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
October 2024



13.4 Sector Developments

Transformation in Councils

Key messages

- As financial and service demand challenges continue to deepen, councils know they urgently need to transform how they deliver services. Transformation in local government has been happening for decades, but a step change is now urgently required. Councils face barriers to transformation and progress has been slow, but reform is vital and must happen at greater pace and scale. Not doing so puts the sustainability of vital public services at risk.
- To meet these challenges, the Society of Local Authority Chief Executives (Solace) and the Improvement Service have put in place a sector-led Transformation Programme. This is focused on developing proposals for a future operating model for councils through short-term transformation projects, dialogue with public sector partners and a forum for developing leadership capabilities. The Transformation Programme is a positive development representing a radical change to how councils work towards transformation.
- Councils cannot deliver transformation alone and it is essential that the Scottish Government and Community Planning and third sector partners support the transformation of local services through more effective collaboration.
- Public and political support is critical. All elected members must exercise their responsibilities to give clarity on the longer-term vision and ambitions of the councils they represent. A coordinated sector-wide public engagement and communication campaign should be undertaken to help gain backing from communities.

Commission Expectations (relevant to Councils)

In the next 12 months, the commission expects:

- The local government sector, the Scottish Government and councils' Community Planning and third sector partners to make significant progress in agreeing a future operating model for councils and how council services can be sustainably delivered according to local circumstances.
- The local government sector to initiate an effective coordinated public engagement campaign to obtain agreement on the future operating model for councils, how it will be achieved, and the impact this will have on communities.
- Individual councils to prioritise and urgently progress the delivery of their local transformation ambitions and engage effectively in sector-led transformation activity, securing political backing and committing resources. We will be auditing local transformation work through year three of our Best Value reporting programme that starts in October 2024.

Appendices



14.1 Action Plan

The following recommendations have arisen from our 2023/24 audit work:

Recommendation	Management Response	Priority	Responsible Person	Target Date
1. Financial management The financial reporting to Committee could be enhanced by incorporating the following: <ul style="list-style-type: none">• A clear reconciliation from the original approved budget to the revised budget updated and reported against during the year.	Improvements will continue to be made iteratively throughout 2024/25 as we transition to and develop reporting from the MyPortal system.	Low	Chief Officer – Finance	March 2025
2. Financial management Capital budget setting and monitoring arrangements should also be reviewed in light of the slippage in capital projects to ensure that realistic budgets are set with clear timelines and a clear linkage to Council priorities.	<p>The Council's PMO team prepare monthly status reports that are presented to the monthly Capital Delivery Board meeting for review and challenge, with any issues identified being appropriately escalated as required.</p> <p>Whilst FECS Committee is the main reporting Committee, more regular reports are being taken to Council for earlier approval of in-year slippage as required.</p> <p>Officers continue to develop capital budget setting and monitoring processes to ensure realistic and affordable capital programmes are set within available capital funding levels, whilst ensuring they align to the Council's Capital Strategy and Council priorities.</p>	Medium	Corporate Management Team	March 2025

14.2 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
3. Financial Sustainability - Reserves It is not financially sustainable to continue to be using reserves to balance the Council budget. The Council must begin to display financial sustainability through other methods such as further identification of recurring savings.	Officers meet regularly with elected members to consider and discuss the overall budget setting strategy for the Council. Budget papers and monitoring reports clearly set out the key financial sustainability risks to the Council including the use of reserves to address budget gaps. The Council has delivered over £45m of savings since 2014 and continues to work hard to identify and deliver recurring sustainable savings to address anticipated future budget pressures as set out in the Medium-Term Financial Strategy.	High	Corporate Management Team	March 2025
4. Use of Resources to Improve Outcomes – Performance Management Framework The Council has appropriate service review procedures in place but should continue to develop its Performance Management Framework based on feedback received from the elected members.	From July 2024, a rolling three-year Public Service Improvement Framework (PSIF) programme commenced. The Council has adopted an Outcomes Based Accountability (OBA) approach which provides for an annual review to reflect learning and experiences over the last 12 months, including elected member feedback, and to recognise achievements and progress, and update these in the OBA material (logic models, KPIs, performance reporting).	Low	Head of customer Service and Performance	March 2025

14.3 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
5. Disaster Recovery and Cyber Security The council does not have a disaster recovery and cyber security policy in place which could leave it unprepared in the event of a cyber incident or other major disruptive events. Lack of preparation means the Council is not able to respond in the most efficient and timely manner. This could lead to unnecessary lengthened disruption and increased costs.	Significant work has been progressed over the last 6 months to enhance cyber security. Stirling Council has reviewed and approved an acceptable use policy. The Council has disaster recovery and business continuity plans in place for all services which are continually reviewed.	Medium	Head of Customer Service and Performance	Ongoing
We would recommend that the Council reviews and enhances its cyber resilience plans and acceptable use policy.	The measures that are included within demonstrate the Council's commitment to strengthening its cybersecurity posture and reduce cyber-attack surface. The Council continues to review and make improvements to its cybersecurity posture.			
6. Control Deficiencies as per Pages 18-21. The council should address the control deficiencies which have been noted in this report and look to address the root causes of these as per the Deloitte recommendations.	Management Responses and remediation actions across the control deficiencies identified have been set out in sections 6.1 to 6.4	-	-	-

14.4 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>7. Criteria for follow up with valuer</p> <p>There is no formal criteria for investigation during the review of the valuation report by the Council finance & estates team.</p> <p>We recommend that the Council design a formal review process incorporated into a checklist, including defined criteria for follow up (for example, movement percentage or a monetary threshold) to evidence sufficient review.</p>	<p>The Council will consider the recommendation for a checklist and determine what might be best practice in this respect.</p>	Medium	Chief Officer – Finance and Senior Manager – Infrastructure	2025/26. With audit being concluded so late, and only receiving these recommendations post 31/03/25 it will be difficult to fully action these for 2024/25.
<p>8. Approval of capitalised time charges</p> <p>During the audit of capital additions, we requested evidence of scrutiny and approval for timesheets and capitalised salaries. Management were able to provide documentation for four out of the requested ten months within the period.</p> <p>We recommend that management should implement a formal process for documenting and retaining approvals for timesheets and capitalised salaries.</p>	<p>The Council will consider the recommendation and determine if further approvals, beyond the current Team Leader level approval, is necessary and formalise a policy where appropriate.</p>	Medium	Chief Officer – Finance and Senior Manager – Infrastructure and other service managers as appropriate.	2025/26. With audit being concluded so late, and only receiving these recommendations post 31/03/25 it will be difficult to fully action these for 2024/25.

14.5 Action Plan (continued)

Recommendation	Management Response	Priority	Responsible Person	Target Date
<p>9. Lack of formalised policy for determining allowance for doubtful debt</p> <p>During our audit, we found that there was no formal, documented policy for determining the allowance for doubtful debts.</p> <p>This absence presents a potential issue because a formal policy is important for the following reasons:</p> <ul style="list-style-type: none">- Compliance and Consistency- Transparency and Comparability- Control and Audit Trail <p>We recommend that management establish a formal, documented policy for determining the allowance for doubtful debts to ensure compliance with accounting standards, provide transparency and consistency in estimations, and strengthen internal controls over the process.</p>	<p>Formal, documented policy can be prepared from the information already included in the procedure notes for these areas.</p>	Medium	Chief Officer – Finance	2024/25, if capacity to do so when working on this for 24/25. With audit being concluded so late, and only receiving these recommendations post 31/03/25 it will be difficult to fully action these for 2024/25.

14.6 2022/23 Action Plan Follow-Up

We have followed up the recommendations made in 2022/23. We note that the 7 of the 12 recommendations have been fully implemented as documented below.

Recommendation	Management Response 2022/23	Management update 2023/24
1. Charitable Trusts. The Dunblane Cemetery Memorial Garden (Maintenance) Trust income is less than £0.100m 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.	This will be addressed in the 2024/25 financial accounts.
2. Financial management The financial reporting to Committee could be enhanced by incorporating the following: <ul style="list-style-type: none"> • 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.	Improvements will continue to be made iteratively throughout 2024/25 as we transition to and develop reporting from the MyPortal system. The Council has developed a savings tracker which shows all savings targets and progress towards their achievement.

14.7 Action Plan (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
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.	<p>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.</p> <p>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.</p>	<p>The Council's PMO team prepare monthly status reports that are presented to the monthly Capital Delivery Board meeting for review and challenge, with any issues identified being appropriately escalated as required.</p> <p>Whilst FECS Committee is the main reporting Committee, more regular reports are being taken to Council for earlier approval of in-year slippage as required.</p>

14.8 Action Plan (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
<p>4. Financial sustainability – budget setting</p> <p>In setting its budget, the Council needs to provide greater clarity on how its decisions link with its agreed priorities.</p>	<p>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.</p> <p>Officers and Members have engaged effectively through a budget delivery framework to ensure budget decisions align with the strategic priorities of Council and Services.</p> <p>The budget setting approach and alignment with priorities will be further developed as part of 2025/26 budget setting.</p>	<p>Previous Management Response 22-23 still valid.</p>
<p>5. Financial sustainability – budget setting</p> <p>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.</p>	<p>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.</p>	<p>Previous Management Response 22-23 still valid</p>

14.9 Action Plan (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
<p>6. Financial sustainability – reserves</p> <p>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.</p>	<p>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.</p>	<p>Previous Management Response 22-23 still valid</p>
<p>7. Financial sustainability – reserves</p> <p>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 £0.005m 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.</p>	<p>This review has taken place, a paper went to FECS in February 2024 which informed 24/25 budget setting.</p>	<p>The number and value of earmarked reserves continues to reduce through use of reserves for their intended purposes. Where the original purpose for the reserve is no longer applicable, the reserve will be considered for repurposing as part of the annual budget process.</p>

14.10 Action Plan (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
<p>9. Vision, leadership and governance</p> <p>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.</p>	<p>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.</p>	<p>Complete</p>
<p>10. Climate change</p> <p>The climate change plans should include detailed route maps that set out:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p>	<p>Previous Management Response 22-23 still valid</p>

14.11 Action Plan (continued)

Recommendation	Management Response 2022/23	Management update 2023/24
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.	Reference has been made in the 23/24 annual accounts but we will continue to improve on this for 2024/25 annual accounts.
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.	Will include reference in the risk section of the 23/24 Management Commentary.

15.1 Audit adjustments

Unadjusted misstatements

The following uncorrected misstatements have been identified we request that you ask management to correct as required by ISAs (UK). Uncorrected misstatements increase the deficit on provision of service by £1.032m, decrease net assets by £0.468m and decrease equity by £0.564 million.

		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
Misstatements identified in current year						
PFI – Balfron Land Revaluation	[1]	-	0.564	-	(0.564)	Yes – Page 18
Overstatement of Infrastructure Additions						
- Factual Error:		0.346	(0.346)	-		Yes – Page 20
- Projected Error:	[2]	0.686	(0.686)			
Total		1.032	(0.468)	-	(0.564)	

[1] There was a subsequent valuation report issued in June 2024 and the change in relation to Balfron PFI land valuation was not reflected in the Fixed Asset Register. This has meant that the NBV and the PFI related disclosure for the 2023/24 Annual Accounts is understated by £0.564m.

Total Understatement: £0.564m

[2] We noted from our testing of additions to infrastructure assets that there were two samples for which no supporting evidence could be provided. The reported amounts were based on estimates from the Road Costing system. This misstatement has resulted in an overstatement of Infrastructure Assets – with a factual error of £0.346m and a projected error of £0.686m, leading us to the total overstatement below.

Total Overstatement: £1.032m

15.2 Audit Adjustments

Corrected misstatements

The following misstatements have been identified 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
Pension Asset Ceiling Adjustment	[1]	-	(36.804)	-	36.804	N/A
CIES reclassification	[2]	-	-	-	-	N/A
Prior Year Adjustment – Charity Expenditure	[3]	(0.002)	-	0.002	-	N/A
Total		(0.002)	(36.804)	0.002	36.804	

[1] The Council originally recognised the full surplus from the IAS 19 report when reporting their Pension Asset. The Council agreed to adjust for this by reducing the reported net pension asset of £45.178m by the effect of the asset ceiling per the IAS 19 report of £36.804m to come to the residual net pension asset of £8.374m to be disclosed in the accounts.

[2] The Council restructured some of its services including the associated management reporting. Given this change the Council was required to restate the prior year figures for 2022/23. This affected both gross income and expenditure with the largest single change being £7.657m.

[3] During our audit we have identified 2 invoices recorded as expenditure in 2023/24 when the services were provided in 2022/23. This means that the expenditure has been recorded in the incorrect period. The transactions total is £2,247.10.

Total Understatement of Prior Year Expenditure: £0.002m (Note – this is Material for the Audit of the Charitable Trusts, with materiality for the Charitable Trusts being £214 in 2023/24 and £90 in the prior year).

15.3 Audit Adjustments

Disclosures

Disclosure misstatements

The following corrected disclosure misstatements have been identified which management have agreed to correct for in line with the ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Net Book Value of those PFI/PPP assets included within the PPE note of the Annual Accounts	The Council disclosure within the PPE note of the annual accounts the NBV of the PFI/PPP assets which are included within Other Land and Buildings.	Quantitatively, this disclosure has been reported here given it was identified as being understated by £1.115m. Management have corrected for this understatement with the correct values reported.
	The Council understated the NBV of these assets in the disclosure within the PPE note of the Annual Accounts.	Deloitte Conclusion to follow on the qualitative consideration of this misstatement

15.4 Audit Adjustments

Disclosures

Corrected Disclosure Misstatements

The following corrected disclosure misstatements have been identified which management have agreed to correct for in line with the ISAs (UK).

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
PPE Note Disclosure Note classification between Other Land and Building assets being held at Historic Cost or Current Value	The Code requires assets with Other Land and Buildings to be held at Current Value. Council have included £9m of assets within OLB being held at Historic Cost. Upon investigation, we have identified that £4.5m of this balance has an appropriate current value and should be included within Current Value as opposed to being held at Historic Cost. The Council had valid reasoning for the residual £4.5m of assets being held at Historic Cost.	Council have agreed to amend this disclosure to appropriately depict the classification between Historic Cost and Current Value for Other land and Buildings.

15.5 Audit Adjustments

Disclosures

Corrected Disclosure Misstatements (Continued)

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<p>Remuneration Report</p> <p>During our testing of the disclosures, we identified inaccuracies in relation to:</p> <ul style="list-style-type: none">- Full year equivalent presentation;- Pension contributions; and- Total remuneration not including all relevant aspects.	<p>The Council is required to accurately report the remuneration and pension information for senior employees and councillors in line with the Code (paragraph 3.4.5.3).</p>	<p>Qualitative – Accurate disclosures within the remuneration report are important to the users of the financial statements</p>

15.6 Audit Adjustments

Disclosures

Uncorrected Disclosure Misstatements

The following uncorrected disclosure misstatements have been identified.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Capital Commitments	The capital commitment note is based on the most significant projects per the capital programme. Per the CIPFA code the financial statements should disclose the amount of contractual commitments for the acquisition of PPE. We therefore do not deem this to be in line with the code as the disclosure is based on the capital programme and not contracts in place.	This has been raised as a disclosure misstatement. However, we are satisfied the disclosure is sufficiently transparent and is not misleading to the users of the accounts, therefore, we have concluded this does not require amending.

15.7 Audit Adjustments

Disclosures

Uncorrected Disclosure Misstatements

The following uncorrected disclosure misstatements have been identified

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
Classification misstatement between Assets Under Construction and Other Land and Buildings	<p>During the audit, management made us aware of an instance where assets that are not yet available for use were reclassified from Assets Under Construction.</p> <p>Management have attributed this to loss of knowledge due to turnover of key finance staff. This meant that it was noted 98% of these assets were complete, as well as continuity of knowledge around the project was lost. The factual error identified was £3.362m, but once extrapolated over the population we identified the reported error above of £4.206m.</p>	<p>This has been raised as a disclosure misstatement. This displayed that Assets Under Construction are understated and Other land and Buildings are overstated, however given this is an immaterial classification misstatement between categories of assets, with no overall impact on the balance sheet, we are satisfied that management do not need to correct for this in the accounts.</p> <p>However, this disclosure misstatement has also identified a control deficiency as discussed on page 19.</p>

16.1 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 risks.

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.

17.1 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 2023/24, as communicated by Audit Scotland in December 2023 is analysed below:
------	---

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

In addition to the above, the audit fee for the two charitable trusts audit is £8,000.

Given the ongoing work as part of the 2023/24 audit, we are still reviewing the final fee for 2023/24.

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.
---------------	--



This document is confidential and it is not to be copied or made available to any other party. Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.