

# Perth and Kinross Council

2024/25 Annual Audit Report



Prepared for Perth and Kinross Council and the Controller of Audit  
December 2025

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# Key messages

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## Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement and prepared in accordance with the relevant requirements.

## Wider scope audit

- 2 Perth and Kinross council's budget setting and financial management arrangements operated effectively during 2024/25.
- 3 Appropriate arrangements are in place for financial sustainability despite the challenging financial environment in which the council is operating.
- 4 Arrangements in place around Vision, Leadership and Governance are generally appropriate. There is scope to improve transparency and scrutiny of senior management exits and restructuring decisions through presentation of options and proposals to elected members.
- 5 The council demonstrates a clear link between the use of resources and delivery of its priorities through measuring performance against a suite of Key Performance Indicators (KPIs) linked to its Corporate Plan.

## Best Value audit

- 6 The council has effective and appropriate arrangements in place for securing Best Value.
- 7 The Best Value Management Report on service transformation reported the council has a clear vision and plan to support the transformation of its services and has robust officer-led governance arrangements in place to monitor its transformational projects through its Transformation Board and Project Teams. There is scope for the council to provide more information on the potential impacts of its transformation projects on vulnerable groups through its Equality and Fairness Impact Assessment process.

- 8 The council has effective and appropriate arrangements in place for preparing and publishing Statutory Performance Information, with a slight improvement in performance compared to prior years and other councils.
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# Introduction

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## Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Perth and Kinross Council's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Perth and Kinross Council, hereafter referred to as 'the council', and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

## Appointed auditor and independence

3. Rachel Browne, of Audit Scotland, has been appointed as external auditor of the council for the period from 2023/24 until 2026/27. As reported in the Annual Audit Plan, Rachel Browne as engagement lead and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

## Acknowledgements

4. We would like to thank the council and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the audit appointment.

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# Audit scope and responsibilities

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## Scope of the audit

**5.** The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim and Non-Domestic Rates Return.
- A review of the council's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

## Responsibilities and reporting

**6.** The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

### Auditor's responsibilities

**7.** The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts, and concluding on the council's arrangements in place for the wider scope areas and Best Value.

**8.** The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.

**9.** The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

### **The council's responsibilities**

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

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

### **National performance audit reporting**

**11.** The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the council and the Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

# Audit of the annual accounts

## Main judgements

All audit opinions stated that the annual accounts were free from material misstatement and prepared in accordance with the relevant requirements.

## Audit opinions on the annual accounts

**12.** Perth and Kinross Council and its group's annual accounts were approved by the Audit and Risk Committee on 1 December 2025 and certified by the appointed auditor on 1 December 2025. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



## Audit timetable

**13.** The unaudited annual accounts and working papers were received on 25 June 2025 in accordance with the agreed audit timetable.

## Audit Fee

**14.** The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £358,370. There were no significant developments that impacted on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

## Materiality

**15.** The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

**16.** Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.



**17.** Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts with only minor changes made to overall materiality. Materiality levels can be seen in [Exhibit 1](#).

## Exhibit 1

### 2024/25 Materiality levels for the council and its group

Materiality	Council	Group
<b>Materiality</b> – set at 2% of gross expenditure	£15.1 million	£15.4 million
<b>Performance materiality</b> – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£9.8 million	£10.0 million
<b>Reporting threshold</b> – set at 5% of materiality, limited to a maximum value of £0.5 million.	£0.5 million	£0.5 million

Source: Audit Scotland

## Significant findings and key audit matters

**18.** ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the council is the Audit and Risk Committee.

**19.** The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

**20.** In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

**Exhibit 2**  
**Significant findings and key audit matters**

Significant findings and key audit matters	Outcome
<p><b>1. Restated gross expenditure figures</b></p> <p>The 2023/24 gross income and expenditure figures were restated in the Comprehensive Income and Expenditure Statement (CIES) to reflect the council's new reporting structure from 1 April 2024.</p> <p>Significant variances were identified between 2023/24 and 2024/25 gross expenditure figures in Education and Learning, and Property Services. It was identified that £10.9 million of rates and cleaning charges had not been reclassified from various service lines to Property as part of the 2023/24 restatement.</p> <p>Consequently, gross expenditure was not comparable between years.</p>	<p>Management have adjusted for this in the audited annual accounts.</p>
<p><b>2. Property, Plant and Equipment classification</b></p> <p>The following issues were identified in the unaudited accounts:</p> <ul style="list-style-type: none"><li>- A non-operational asset of £32.9 million was included in Other Land and Buildings as at 31 March 2025. It should have been classified as an Asset Under Construction. Depreciation of £0.7 million was charged to the CIES. The asset should not have been depreciated as it was not yet in use.</li><li>- Infrastructure asset additions were overstated by £1.8 million due to capitalisation of costs incurred on an asset which the council does not own. The expenditure should have been accounted for as revenue expenditure funded by capital under statute (REFCUS).</li></ul>	<p>Management have adjusted for these issues in the audited annual accounts.</p>

Significant findings and key audit matters	Outcome
<ul style="list-style-type: none"> <li>- £1.2 million of surplus assets were incorrectly classified as Assets held for sale within Long term assets.</li> </ul>	
<p><b>3. Implementation of IFRS 16 accounting requirements for service concession arrangements and other leases</b></p> <p>The implementation of International Financial Reporting Standard 16: Leases (IFRS16) is mandatory for local government bodies from 2024/25. Under IFRS16, a lessee is required to recognise right-of-use (RoU) assets and associated lease liabilities on the Balance Sheet. IFRS16 also requires a service concession lease liability to be remeasured to include indexation changes over the period of the lease. Previously such charges were treated as expenses in the year.</p> <p>The council completed a comprehensive review of leases and contracts to identify all leases and arrangements containing a lease, in preparation for implementing IFRS 16. RoU assets, and associated liabilities, of £0.443m were brought on to the Balance Sheet at 1 April 2024 with only minor presentational amendments required for the audited accounts.</p> <p>Application of IFRS 16 to service concession arrangements was implemented correctly and free from material misstatement.</p> <p>A component of the council's group incorrectly adjusted for IFRS 16 as applicable to peppercorn leases. The Group opening reserves balance was understated by £4.2 million. For the Group accounts to balance, it was necessary for the council to process a compensating adjustment of £4.2 million to the 'Other Gains and Losses' line of the Group CIES.</p>	<p>The council queried the information provided by the component body. The component body agreed the necessary adjustments with its auditor, and management applied the appropriate revisions to the audited group accounts.</p>
<p><b>4. Debtors and Creditors</b></p> <p>The following issues were identified in the unaudited accounts:</p> <ul style="list-style-type: none"> <li>- Debtors and Creditors were understated by £1.432 million due to prepaid housing rents being incorrectly</li> </ul>	<p>Management have adjusted for both issues in the audited annual accounts.</p>

Significant findings and key audit matters	Outcome
<p>offset against debtors rather than being classified as accrued income.</p> <ul style="list-style-type: none"> <li>- £2.432 million of the outstanding long-term liability for PFI arrangements was incorrectly classified as a short-term creditor in the Balance Sheet.</li> </ul>	
<p><b>5. Fixed asset register</b></p> <p>The following issues were identified in the fixed asset register:</p> <ul style="list-style-type: none"> <li>- There are a large number of fully depreciated assets with a nil net book value at 31 March 2025 on the council's asset register. Audit testing of a sample of these assets was unable to verify their existence, nor whether the assets remain in use.</li> <li>- Intangible assets with differing useful lives have been capitalised under generic capital codes relating to the year of capitalisation and not the useful economic life (UEL) of the asset, resulting in incorrect amortisation. The impact is not material.</li> </ul>	<p>Management had commenced a review of fully depreciated assets and a number were derecognised prior to the unaudited accounts being submitted. The review should be completed and assets no longer in use derecognised. Assets which remain in use should be re-assessed to confirm the depreciation policy applied is appropriate.</p> <p><u>Recommendation 1.</u></p> <p>Management have agreed to review intangible assets to ensure only those with a common date of recognition and common UEL are capitalised under a generic capital code.</p> <p><u>Recommendation 2.</u></p>
<p><b>6. Remuneration Report</b></p> <p>The following issues were identified within the Remuneration Report:</p> <ul style="list-style-type: none"> <li>- The remuneration and pension benefits of senior employees, with responsibility for key decision making within the council following the recent restructure, were not included for all relevant employees in the disclosures in the unaudited accounts.</li> <li>- A termination payment for a senior employee was not included as a separate category of remuneration in the unaudited accounts.</li> </ul>	<p>Management have adjusted for the omitted disclosures in the audited annual accounts.</p>

## Qualitative aspects of accounting practices

**22.** ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the council's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

### Accounting policies

**23.** The appropriateness of accounting policies adopted by the council was assessed as part of the audit. These were considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

### Accounting estimates

**24.** Accounting estimates are used in number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

**25.** Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 4](#).

### Disclosures in the financial statements

**26.** The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

## Group audit

**27.** The council is part of a group and prepares group financial statements. The group is made up of ten components, including the council which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. The audit work performed on the group's components is summarised in [Exhibit 3](#).

**Exhibit 3****Summary of audit work on the group's components**

Group component	Auditor and audit work required	Summary of audit work performed
Perth and Kinross Council	<b>Audit Scotland</b> Full scope audit of the council's annual accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in <a href="#">Exhibit 2</a> .
Common Good Funds	<b>Audit Scotland</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Charitable Trusts	<b>Audit Scotland</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Live Active Leisure Ltd	<b>Azets</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Culture Perth and Kinross	<b>Azets</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Perth Theatre and Concert Hall (Horsecross Arts Ltd)	<b>Henderson Loggie LLP</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Group component	Auditor and audit work required	Summary of audit work performed
Tayside Contracts Joint Committee	<b>Audit Scotland</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team.  An adjustment was required to the Tayside Contracts Joint Committee accounts which impacted on the group accounts. Details are given in <a href="#">Item 3, Exhibit 2</a> .
Tayside Valuation Joint Board	<b>Audit Scotland</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Perth and Kinross Integration Joint Board	<b>Audit Scotland</b> Analytical procedures at group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Tayside and Central Scotland Transport Partnership (Tactran)	<b>Audit Scotland</b> N/A – not consolidated on grounds of materiality.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

**28.** ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during an audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.
- any frauds or suspected frauds involving group or component management.

**29.** No such matters were identified or encountered during the course of our audit of the group accounts.

## Significant matters discussed with management

**30.** All significant matters identified during the audit and discussed with the council's management have been reported in the Annual Audit Report.

## Audit adjustments

**31.** Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.5 million are outlined in [Appendix 2](#).

## Whole of Government Accounts (WGA) return

**32.** The council is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion. The council was below this threshold and therefore only limited audit procedures were required, and submission of an assurance statement to the NAO.

## Significant risks of material misstatement identified in the Annual Audit Plan

**33.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

### Exhibit 4

#### Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
<b>Fraud caused by management override of controls</b> Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: <ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or</li> </ul>	Audit work performed found: <ul style="list-style-type: none"> <li>• The design and implementation of controls over journal processing were appropriate.</li> <li>• No inappropriate or unusual activity relating to the processing of journal entries</li> </ul>



Risk of material misstatement	Planned audit response	Outcome of audit work
	<p>unusual activity relating to the processing of journal entries.</p> <ul style="list-style-type: none"> <li>• Use data analytics to consider, identify, and test journal entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.</li> <li>• Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.</li> </ul>	<p>was identified from discussions with individuals involved in financial reporting.</p> <ul style="list-style-type: none"> <li>• No significant issues were identified from testing of journal entries.</li> <li>• No significant issues were identified from transactions outside the normal course of business.</li> <li>• The controls in place for identifying related party relationships and transactions were adequate but disclosures in the accounts were incomplete. £1.672 million of transactions with bodies in which a senior officer had declared an interest were omitted by the finance team from a note in the unaudited accounts in error. We are satisfied that the amounts to be disclosed had been appropriately identified for disclosure and that the omission was accidental. There is no evidence of an attempt by management to override the controls in place.</li> <li>• No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.</li> </ul> <p><b>Conclusion:</b> no evidence of fraud caused by management override of controls.</p>
Valuation of property, plant and equipment – Other Land and Buildings (OLB)	The audit team will:	<p>Audit work performed found:</p> <ul style="list-style-type: none"> <li>• The design and implementation of controls</li> </ul>

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Perth and Kinross council held £1.5 billion of property, plant, and equipment (PPE) at 31 March 2024, of which £770 million was other land and building (OLB) assets.</p> <p>Perth and Kinross council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.</p> <p>In addition, OLB assets are revalued on a five-year rolling basis and with a valuation date of 1 April. Values may change between periodic valuations and there is, therefore, a risk of material movement between the date of valuation and the balance sheet date.</p>	<ul style="list-style-type: none"> <li>• Evaluate the design and implementation of controls over the valuation process.</li> <li>• Review the information provided to the valuer and assess this for completeness and accuracy.</li> <li>• Evaluate the competence, capabilities, and objectivity of the valuers.</li> <li>• Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>• Review the reconciliation between the accounts, property asset register and valuers' reports.</li> <li>• Test a sample of OLB assets subject to revaluation in 2024/25, confirm to valuers' reports, critically assess the appropriateness of key data and assumptions and challenge these where required.</li> <li>• Review management's fair value assessment that the financial statements accurately reflect the carrying value of the land and buildings at 31 March 2025, and challenged where required.</li> </ul>	<p>over the valuation process were appropriate.</p> <ul style="list-style-type: none"> <li>• The information provided to the valuer was accurate and complete.</li> <li>• The valuers had sufficient competence, capability, and objectivity to perform their work.</li> <li>• Management are involved in the valuation process and have an appropriate level of oversight.</li> <li>• The data and assumptions used in the 2024/25 valuation process were appropriate.</li> <li>• Management's assessment of assets not subject to a valuation process in 2024/25 was reasonable and concluded there was unlikely to be a material difference to the current value at the year-end.</li> </ul> <p><b>Conclusion:</b> the valuation of PPE is not materially misstated.</p>

Source: Audit Scotland

## Areas of audit focus

**34.** In addition to the significant risks of material misstatement in [Exhibit 4](#), our Annual Audit Plan identified two areas of specific audit focus:

- Estimation in the value of pension assets and liabilities

- Restatement of 2023/24 income and expenditure disclosures.

**35.** We assessed the scope, independence and competence of the professional actuaries engaged to provide the pension estimates and reviewed the appropriateness of the actuarial assumptions and results, including comparison with other councils. We also confirmed officers' arrangements for ensuring the reasonableness of the professional estimates and the accuracy of the information provided to the council by the actuary. We did not identify any issues with the valuation of pension assets or liabilities.

**36.** We reviewed the restatement of 2023/24 gross expenditure and income figures in the CIES and concluded that it had been performed correctly, except for £4.1 million of cleaning costs and £6.8 million of rates charges which had not been transferred from various service lines to Property. This was amended in the audited accounts, see [Exhibit 2, Item 1](#).

**37.** No further audit procedures were required in respect of the specific areas of audit focus.

## Prior year recommendations

**38.** The council has made good progress in implementing the agreed prior year audit recommendations, with no actions outstanding from prior year. Further details are provided in [Appendix 1](#).

# Wider scope audit

## Conclusion

Perth and Kinross Council's budget setting and financial management arrangements operated effectively during 2024/25.

Appropriate arrangements are in place for financial sustainability despite the challenging financial environment in which the council is operating.

Arrangements in place around Vision, Leadership and Governance are generally appropriate. There is scope to improve transparency and scrutiny of senior management exits and restructuring decisions through presentation of options and proposals to elected members.

The council is able to demonstrate a clear link between the use of resources and delivery of its priorities through measuring performance against a suite of Key Performance Indicators (KPIs) linked to its Corporate Plan.

## Audit approach to wider scope

### Wider scope

**39.** As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

**40.** Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of these is reported in this chapter.

## Conclusions on wider scope audit

### Financial Management

**41.** The audit work performed on the arrangements the council has in place for securing sound financial management found that these were

effective and appropriate. This judgement is evidenced by the council having:

- a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- clear and up-to-date policies and procedures, for example, financial regulations and scheme of administration, in place that ensure effective financial management.
- clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Audit and Risk Committee.
- an appropriate Internal Audit service in place who undertake a wide range of reviews, allowing the Chief Internal Auditor to provide an opinion that reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2024/25.
- a well-established budget-setting and monitoring process which allows effective development and scrutiny of spending plans by elected members

**42.** The council approved its 2024/25 revenue budget on 28 February 2024. The budget was set at £467.7 million based on Scottish Government funding of £344.8 million, council tax income of £103.9 million, capital grants of £1.6 million, council tax surcharges and single person discount of £3.6 million, and a net contribution from reserves of £13.8 million.

**43.** The budget was subsequently revised during the year to £496.1 million, primarily as a consequence of additional government grant funding for specific schemes and additional funding for local government and teachers' pay awards and teachers' pension costs. The council reported outturn expenditure of £492.5 million at the year end, a net underspend of £3.6 million against the revised budget.

**44.** The council approved its Housing Revenue Account (HRA) budget for 2024/25 on 24 January 2024. The 2024/25 budget was set at £36.0 million and was funded by rent increases of 6 per cent. The HRA reported a break-even position at the year end.

**45.** Total net capital expenditure incurred in 2024/25 was £161.4 million, of which £133.5 million related to the composite capital (general fund) programme and £27.9 million to the HRA. This spend was against final net capital budgets of £149.0 million and £28.1 million respectively. Significant areas of capital spend included £32.1 million on the Cross Tay Link Road (Destiny Bridge and New Kingsway), £34.5 million on the replacement of Perth High School and £15.4 million on council house buy-backs.

**46.** The council drew £4.1 million less from reserves in 2024/25 than planned per the revised budget. The final net draw on reserves was £22.4 million compared to the revised budgeted figure of £26.5 million. The council's general fund balance at 31 March 2025 was £68.3 million of which £46.6 million was earmarked, leaving an uncommitted reserves balance of £18.7 million.

**47.** Overall, the council's budget setting and financial management arrangements operated effectively during 2024/25.

### **Controls over changes to key financial systems**

**48.** In February 2025, the council switched from the SWIFT social care system to MOSAIC. We reviewed controls in place over the procurement and approval process for the change to the new system and found these to be appropriate and effective.

**49.** We also considered the general IT controls in place over the transition process. In particular, we requested and obtained evidence that:

- Changes were appropriately tested in a test environment
- Changes were approved before being moved into the live environment
- Changes were only made by those with authorised access
- Management approved the results of the conversion of data, and monitored that the conversion was performed in accordance with established conversion policies and procedures.

**50.** The council provided the requested evidence and we concluded that appropriate processes were in place to ensure the integrity and security of data on transfer.

### **Financial Sustainability**

**51.** The audit work performed on the arrangements the council has in place for securing financial sustainability found that these were generally effective and appropriate. This judgement is evidenced as set out in the remainder of this section.

**52.** The council produces a medium-term financial plan (MTFP) each year to support budget planning. The MTFP was last updated in December

2024 and covers a six-year period from 2024/25 to 2030/31. It aims to provide direction on how the council will deploy its financial resources to deliver on its priorities, and lays out projected optimistic, mid-range and pessimistic scenarios based on key variables known to put pressure on council finances, such as inflation and demographic changes. Various assumptions are made on the likely level of future funding, with the mid-range scenario assuming a 'flat-cash' situation over the period covered by the MTFP.

**53.** The mid-range scenario sets out a £80.4 million funding gap between 2024/25 and 2030/31. The Strategic Planning Update and 2026/27 to 2028/29 General Fund Revenue Budget, published in February 2025, notes that the Transformation and Change Programme has achieved £11.2 million of savings since 2022. The council is aiming to make savings of around £4 million during 2025/26 through transformation, but recognises that transformation alone will not address the council's financial sustainability over the longer term.

**54.** The 2025/26 budget was approved by the council on 26 February 2025. The £503.2 million revenue budget includes a £106.3 million contribution to the Perth and Kinross Integration Joint Board (IJB). The council approved a 9.5% council tax increase for the year. The budget included a planned use of reserves amounting to £12 million. Subsequent revisions have increased this to £18.2 million.

**55.** The latest update provided to the council on 29 October 2025 set out a projected overspend of £5.6 million across the Health and Social Care Partnership (HSCP). Under the terms of the Integration Scheme, the council is exposed to the element of this overspend which has arisen from social care activity, amounting to £4.4 million. The HSCP has identified mitigating actions of £0.3 million in 2025/26. On 29 October 2025, the council also approved an additional financial contribution of up to £4.2 million to address the in-year pressures from increased demand.

**56.** The council's level of usable reserves increased by £18.6 million in 2023/24, mostly through application of the service concession financial flexibility permitted by finance circular 10/2022. This has enabled the council to utilise £16 million of reserves to help balance its budget between 2024/25 and 2027/28. This flexibility only provides a temporary solution to budget pressures, with a £4 million gap emerging from 2028/29. Following council decisions, this has been reduced to recurring gap of £1 million which will require to be addressed from 2028/29.

**57.** To help ensure its financial sustainability, the council has agreed a 3-year council tax strategy, with an increase of 9.5% for 2025/26 as noted in paragraph 54, and indicative increases of 9.5% for 2026/27 and 6% for 2027/28.

**58.** The Pullar House PFI agreement expired in September 2025, presenting the council with the opportunity to purchase the assets on



contract expiry. At its meeting of 4 September 2024, the council approved the purchase of Pullar House and car park at market value, with the intention of creating a Public Sector Hub, leasing to other public bodies on a cost-sharing basis and improving customer access to multiple services. Capital funding of £10 million was approved to support the purchase. The final purchase price has still to be agreed.

**59.** Overall, we have concluded that there are appropriate arrangements in place for financial sustainability despite the challenging financial environment in which the council is operating.

## **Vision, Leadership and Governance**

**60.** The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were generally effective and appropriate. This judgement is evidenced by the council:

- having a Corporate Plan in place that clearly sets out its vision, strategy, and priorities, supported by Annual Performance Reports which reflect the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
- having clear financial and performance reporting in place, both internally and externally, that is linked to its Corporate Plan, and effective scrutiny and challenge of performance provided by the Audit and Risk, and Scrutiny and Performance Committees.
- having effective governance arrangements in place in general, as reflected in the Annual Governance Statement included in the annual accounts.

**61.** In August 2024, the Director – Economy, Place and Learning left the employ of the council. Following discussions with the Executive team, the Chief Executive subsequently removed the role from the council's staffing structure, moving to a smaller three-person Executive Team. This amended structure, comprising the Chief Executive, a Deputy Chief Executive and the Chief Officer of the Health and Social Care Partnership, was intended to support the council's one council approach to place based delivery, and has contributed to overall leadership savings of £1.6 million over three years.

**62.** As the head of paid service, and as set out within the council's scheme of delegation, it is within the Chief Executive's remit to make decisions of this nature. Members were informed of the Executive Director's departure and subsequent restructure through a series of Elected Member briefing notes.



**63.** Best practice, and the Accounts Commission's expectation, is that decisions of such a significant nature are put to elected members for formal consideration. The Deputy Chair of the Accounts Commission wrote to all Scottish councils in September 2025 expressing the Commission's expectation that "where decisions around restructuring and exit packages are being taken, councils must ensure there is clear evidence of effective governance, independent scrutiny, and value for money, as well as robust and transparent record keeping".

**64.** There is scope to improve transparency and scrutiny of senior management exits and restructuring decisions through presentation of options and proposals to elected members. It is normal practice for the council to present such reports to elected members for approval, however we were informed via a matter of concern raised with Audit Scotland that the response to a Freedom of Information request relating to the Executive Director's exit said there was no paper trail of the decision making. Consistently involving elected members in formal decision making on senior management exits and restructuring would avoid this.

### Recommendation 3

#### Transparency and scrutiny of restructuring decisions

The council should review its process for informing members regarding significant restructuring decisions made by the Executive team. Where such decisions are being taken, the council should ensure there is clear evidence of effective governance, independent scrutiny, and value for money, as well as robust and transparent record keeping.

**65.** The council has also been subject to an investigation by the Scottish Information Commissioner (SIC) regarding its response to a Freedom of Information (FOI) request submitted in September 2024. The Commissioner found that the council had failed to comply with Part 1 of the Freedom of Information (Scotland) Act 2002 (FOISA) in responding to the information requests made by the applicants.

**66.** The SIC considered an appeal from a requestor in relation to a freedom of information request, which it has now determined that the council has fully complied with. The SIC subsequently opened an intervention to consider if the council complied with good practice in terms of records management, as set out in the Section 61 Code of Practice, in relation to an aspect of the request, the Commissioner may decide to issue a practice recommendation in relation to this. The council has responded to the Commissioner's initial enquiry about this matter, and awaits further comment.

## Arrangements for the prevention of fraud and corruption

**67.** We reviewed the council's arrangements for the prevention of fraud and corruption, and its framework for ensuring awareness of the values and ethical standards expected of all employees and elected members and concluded these were appropriate. Codes of conduct are in place for staff and elected members. Induction training is provided to members upon taking office, and further training and support is available on an ongoing basis, from the council and the Improvement Service. It is important that members uphold, and are seen to uphold, the ethical standards expected of a public office holder (also known as the [Nolan Principles](#)).

## Use of Resources to Improve Outcomes

**68.** The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the council:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities through a suite of 54 Key Performance Indicators (KPIs) linked to its Corporate Plan 2022/23 – 2026/27.
- reporting performance against these KPIs in an Annual Performance Report (APR) presented to the Scrutiny and Performance Committee in September each year, and subsequently to full Council. The report includes an Executive Summary which provides a helpful overview of KPI trends for each strategic priority.
- publishing a variety of performance data, including the APR, on the performance section of the council's website [PK Performs](#).
- providing two briefings each year to elected members, summarising the latest published data from the Local Government Benchmarking Framework, analysing the council's performance relative to the Scottish average and providing trend analysis for certain key indicators compared to the position 5 years' prior.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

**69.** We comment further on the council's performance in the Best Value section of this report.

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# Best Value audit

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## Conclusion

The council has effective and appropriate arrangements in place for securing Best Value.

The Best Value Management Report on service transformation reported the council has a clear vision and plan to support the transformation of its services and has robust officer-led governance arrangements in place to monitor its transformational projects through its Transformation Board and Project Teams. It also stated there is scope for the council to provide more information on the potential impacts of its transformation projects on vulnerable groups through its Equality and Fairness Impact Assessment process.

The council has effective and appropriate arrangements in place for preparing and publishing Statutory Performance Information, with a slight improvement in performance compared to prior years and other councils.

## Audit approach to Best Value

**70.** Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.

**71.** The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2024/25 is on the subject of service transformation and involved considering how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review are reported in a separate Management Report considered by the Audit and Risk Committee on 17 September 2025, and summarised in this chapter.

## Conclusions on Best Value

### The council's arrangements and performance in meeting Best Value and community planning duties

**72.** The audit work performed on the arrangements the council has in place for securing Best Value and its community planning arrangements found these were effective and appropriate. This judgement is evidenced by:

- the council having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements
- the arrangements the council has in place around the four wider scope audit areas, which are generally effective and appropriate, contribute to it being able to secure Best Value
- progress the council is making against previous audit recommendations as set out in [Appendix 1](#).

### Themes prescribed by the Accounts Commission

**73.** As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2024/25 on the subject of service transformation. Conclusions and judgements on the council's approach to service transformation are outlined in a separate Management Report which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- The council has a clear vision and plan to support the transformation of its services. Its current Transformation and Change Strategy covers the period from 2022/23 to 2027/28 and includes fifteen projects.
- The Council reports that it has delivered £11.2 million of savings since 2022 through its Transformation and Change Strategy. It is not yet clear how much its current transformation projects will contribute to bridging its projected budget funding gap of £80.4 million over the next five years.
- The Council has robust officer-led governance arrangements in place to monitor its transformational projects through its Transformation Board and Project Teams.
- The Council prepares updates on its Transformation and Change Strategy twice a year. These are considered by the Finance and Resources Committee or Council. Officers also regularly provide detailed updates to elected members on particular transformation projects through specific briefings or relevant committee reports.

- The Council has a temporary programme management office (PMO) in place to help support the delivery of its Transformation and Change Strategy. The PMO's term is due to end in March 2026 and the Council is currently considering what its future arrangements will be.
- The Council has provided good examples of where it has worked with partners and its communities to improve outcomes and generate savings through its transformation projects. It is rolling out the structured and user-focused 'Service Design' approach to transforming its services.
- There is scope for the Council to provide more information on the potential impacts of its transformation projects on vulnerable groups through its Equality and Fairness Impact Assessment (EFIA) process.
- While the Council has provided the audit team with examples of where it has identified and monitored the financial and non-financial benefits of its transformation projects, it has plans to further enhance its approach to benefits realisation.

## **Statutory performance information (SPI) and service performance**

**74.** The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the council to report its:

- performance in improving services and progress against agreed desired outcomes, and
- a self-assessment and audit, scrutiny, and inspection body assessment of how it has responded to these assessments.

**75.** Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing statutory performance information (SPI) in accordance with the Direction and report a conclusion in the Annual Audit Report.

**76.** Audit work assessed the arrangements the council has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded the arrangements in place were effective and appropriate.

**77.** The Accounts Commission also requires auditors to report a summary of the information on service performance reported by the council. The council reports performance information on its website and through:

- an Annual Performance Report which analyses performance against KPIs linked to the strategic priorities in the Corporate Plan 2022/23-2027/28

- reporting the council's performance against the [Local Government Benchmarking Framework](#) (LGBF)

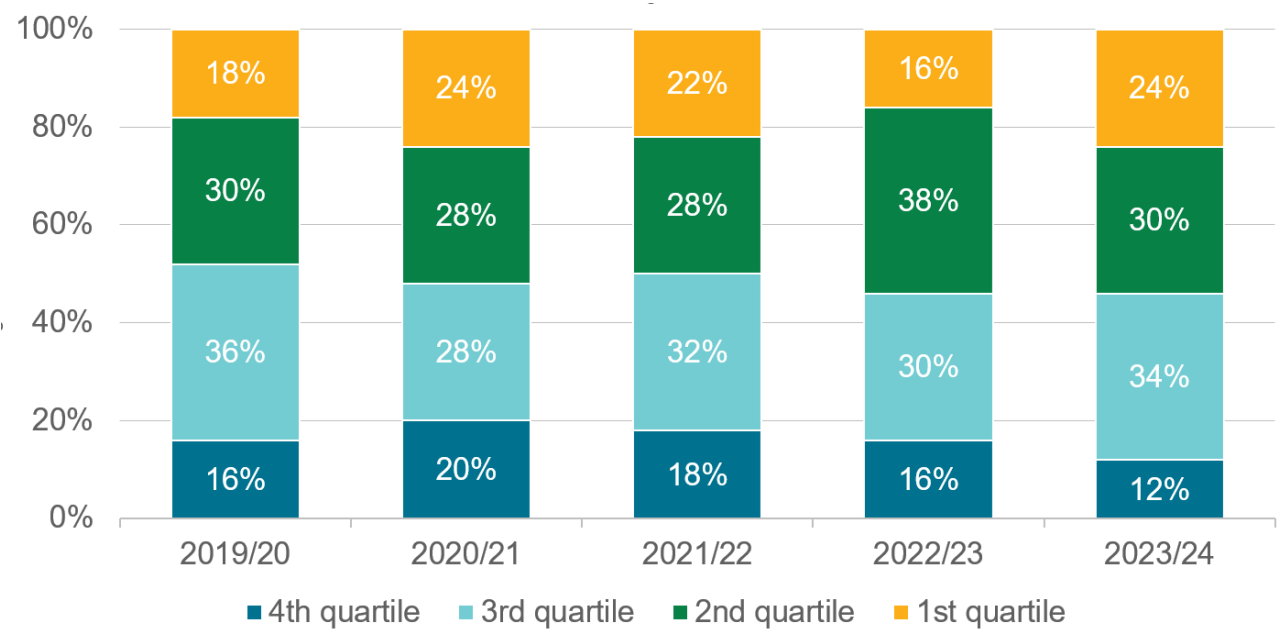
**78.** Service performance reporting is currently undertaken within the different Service Senior Management Teams and will be further informed by the council's new draft Strategic Planning and Performance Framework. This is currently being consulted on prior to launch, and will be supported by the ongoing development of the Performance and Risk 'PK Performs' System. This will be augmented by the development of business and community insights dashboards which will bring together a range of business intelligence on council performance.

**79.** The information reported is a combination of the LGBF indicators and other relevant indicators the council has developed to monitor progress against key strategic priorities. From review of the performance information reported by the council, this was found to be sufficiently detailed to provide an assessment of progress the council is making against its strategic priorities and allow effective scrutiny of performance.

**80.** We reviewed 50 LGBF indicators to assess the council's performance over a 5-year period in comparison with the other 31 Scottish councils. As shown in [Exhibit 5](#), performance relative to other councils has improved over the five years. Of the 50 indicators, 25 improved and 21 declined, indicating an overall positive trend in outcomes.

**81.** There has been an increase in indicators in the top quartile and a decrease in those in the third and fourth quartiles. In 2019/20, 48% of indicators were in the top two quartiles, rising to 54% in 2023/24. This trend indicates that the council's performance has not only improved in absolute terms but also strengthened its relative position compared to other councils.

**Exhibit 5**  
**LGBF data comparison across all 32 Scottish councils**



Source: Audit Scotland analysis of LGBF data available at October 2025

- 82.** Best Value findings and recommendations have been made in previous years' Annual Audit Reports and in Management Reports on themes prescribed by the Accounts Commission.
- 83.** Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#). Overall, the council is making reasonable progress in implementing the previous recommendations made, with five of the seven recommendations being implemented to date.

# Appendix 1

## Action plan 2024/25

### 2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<b>1. Fully depreciated assets</b> There are a large number of assets with a nil net book value at 31 March 2025 on the council's asset register. Audit testing of a sample of these assets was unable to verify their existence, nor confirm whether the assets remain in use.	Management's review of fully depreciated assets should be completed and assets no longer in use derecognised.  Assets which remain in use should be re-assessed to confirm the depreciation policy applied is appropriate.  <a href="#">Exhibit 2, Item 5</a>	<b>Accepted</b>  <b>Details of agreed action –</b> The council will accelerate the review of fully depreciated assets and develop a derecognition policy where, if it is more likely than not, that an asset is no longer in use, it will be derecognised.  <b>Responsible officer –</b> Chief Finance Officer  <b>Agreed date –</b> 30 June 2026
<b>2. Intangible assets</b> Intangible assets with differing useful lives have been capitalised under generic capital codes relating to the year of capitalisation and not the useful economic life (UEL) of the asset, resulting in incorrect amortisation.	Management should review the capitalisation of intangible assets to ensure only those with a common date of recognition and common UEL are capitalised under a generic capital code.  <a href="#">Exhibit 2, Item 5</a>	<b>Accepted</b>  <b>Details of agreed action –</b> Expenditure on intangibles will be capitalised, where appropriate, using generic capital codes in batches, only where asset life is common. If useful economic life is based on licencing, assets will be derecognised automatically at the end of their licence period.  <b>Responsible officer –</b> Chief Finance Officer  <b>Agreed date –</b> 30 June 2026
<b>3. Transparency and scrutiny of restructuring decisions</b>  Following the departure of the Director – Economy, Place and Learning, the Chief Executive made the decision	The council should review its process for informing members regarding significant restructuring decisions made by the Executive team.	<b>Noted</b>  It is normal practice for the council to present reports on senior management exits and restructuring to elected members for approval where it is able to do so. The council



Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>to remove the role from the council's staffing structure and to proceed with a three-person Executive Team.</p> <p>Members were informed of the departure and restructure through a series of Elected Member briefing notes.</p> <p>Best practice, and the Accounts Commission's expectation, is that decisions of such a significant nature are put to elected members for formal consideration.</p>	<p>Where such decisions are being taken, the council should ensure there is clear evidence of effective governance, independent scrutiny, and value for money, as well as robust and transparent record keeping.</p> <p><a href="#">Paragraph 64</a></p>	<p>will continue to operate in line with its approved Scheme of Delegation, taking on board all relevant guidance available at the time, adapted to the specifics of each individual situation.</p> <p><b>Responsible officer</b> – N/A</p> <p><b>Agreed date</b> – N/A</p>

## Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>1. Communication with Tayside Pension Fund actuary</b></p> <p>Council officers do not communicate directly with the Tayside Pension Fund, relying instead on Dundee City Council (DCC) as the administering authority.</p> <p>Our audit found that information on early retirement and voluntary severance of 6 individuals was not communicated to the actuary by DCC. The omissions could have been readily identified through detailed review of the curtailment cost information included in the IAS19 report received from the actuary and associated supporting documents.</p>	<p>Officers should review the information provided by the pension fund actuary for consistency with their own understanding of voluntary severance and early retirements approved in year.</p> <p>Discrepancies identified should be raised with DCC contacts for communication to the pension fund actuary.</p> <p><b>Management response/agreed action:</b></p> <p>Officers will review early retirements as part of their management review of the pension disclosures for the accounts.</p> <p>Council officers will also engage with Dundee City Council to ensure that the information is provided to the actuary.</p>	<p><b>Implemented</b></p> <p>Audit work on exit packages disclosed in the annual accounts did not identify any significant discrepancies with the information reported to the actuary via Dundee City Council.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>Risk</b> - whilst this did not result in a material error in the accounts, future significant levels of voluntary severance or early retirements could lead to errors through incomplete information being provided to the actuary.</p>	<p><b>Responsible officer:</b> Corporate Accounting Manager</p> <p><b>Agreed date:</b> 31 May 2025</p>	
<p><b>2. Performance reporting in the Management Commentary</b></p> <p>Reporting of performance in the Management Commentary could be improved through the inclusion of KPIs and a summary of how the council has performed with respect to its targets for the year.</p> <p>The existing presentation lists a series of 'outcomes' which lack context and do not give users of the accounts a sense of whether performance is improving, declining, or static.</p> <p><b>Risk</b> – the Management Commentary does not provide a balanced view of performance.</p>	<p>The Annual Performance Report (APR) presented to the Scrutiny and Performance committee in September each year contains details of KPIs and targets, with a clear summary of whether targets have been met and an analysis of whether the trend over time is one of improvement or decline.</p> <p>Performance reporting in the Management Commentary can be improved through summarising performance in relation to KPIs and targets as presented in the APR.</p> <p>The use of graphs and trend analysis in public performance reporting should also be considered for inclusion, as recommended by the Accounts Commission.</p>	<p><b>Implemented</b></p> <p>The Strategic Lead – Finance and Business Support and the Strategic Planning, Performance and Risk Team Leader met with audit in early 2025 to agree performance information for inclusion.</p> <p>The unaudited annual accounts included the agreed information based on the 2023/24 annual performance report as the latest available. This was updated to 2024/25 information for the audited annual accounts.</p> <p>It had been agreed with officers that the revised statements for the audited annual accounts would be shorter. This was not implemented due to unforeseen staff absences within the performance team. It will be taken forward as a matter of priority with officers as part of planning the 2025/26 audit.</p>
<p><b>3. Senior Officer</b></p>	<p>Senior officers should be</p>	<p><b>Implemented</b></p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p><b>compliance with governance procedures</b></p> <p>A senior officer participated in a marketing video for a local business which supplies goods and services to the council. Council procedures require senior officers to declare any activity which might give rise to a potential conflict of interest. The activity was not declared by the officer.</p> <p><b>Risk</b> – the council is perceived to be biased when awarding contracts for goods or services.</p>	<p>reminded of the need to disclose all activity which might be, or perceived to be, in conflict with their council role.</p> <p><b>Management response/agreed action:</b></p> <p>Agreed to remind Senior officers of procedures for disclosing conflict of interest or other works.</p> <p><b>Responsible officer:</b> Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Agreed date:</b> January 2025</p>	<p>Relevant staff were contacted in January 2025 and reminded of their obligations to declare any activity which might give rise to a potential conflict of interest.</p>

## Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p><b>BV1. Service level workforce plans</b></p> <p>Service workforce plans are being developed and the council is developing its systems to provide access to service level workforce data.</p> <p><b>Risk</b> - the council may fail to deliver on the People and Culture Strategy.</p>	<p>The council should ensure its service level workforce planning measures align with actions in the People and Culture Strategy 2024-28 action plan as well as agreeing any additional service level workforce measures.</p> <p><b>Management response/agreed action:</b></p> <p>This is part of the remit of the Workforce Planning Themed Board who will monitor and agree actions within the People and Culture Strategy. HSCP has a separate Strategy and governance and reporting arrangement in place.</p> <p>Education and Learning undertakes annual staffing</p>	<p><b>Implemented</b></p> <p>Measures monitoring progress under the People and Culture Strategy were reported to the Finance and Resources Committee in June 2025. The actions delivered were presented against the key actions under the People and Culture Strategy. Many of these have been measured in 2023/24 and 2024/25.</p> <p>Strategic Leads have completed template workforce plans that include specific information about skills gaps.</p> <p>Succession planning has also been included in the development of these plans.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
	<p>exercise. All other Strategic leads will develop their own service workforce plans that will be collectively reviewed at the Workforce Planning Themed Board, ELT, and Committee.</p> <p><b>Responsible officer:</b> Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Agreed date:</b> Ongoing and annual update to Finance and Resources Committee</p>	<p>The Council reports actions delivered and achievements under this recommendation.</p> <p>The launch of the leadership development programme and participation in national development initiatives were cited as successes achieved under this action. Updated and longer-term workforce plans are now ongoing as part of workforce improvements.</p>
<p><b>BV2. Quantifying workforce benefits from the introduction of digital technology</b></p> <p>The council has established many workforce benefits and productivity gains of its digital technology improvements but there is scope for more of these to be quantified.</p> <p><b>Risk</b> - there is a risk that the council does not fully understand the workforce benefits from digital technology improvements to inform future decision-making.</p>	<p>The council should build on the work it has done to date to demonstrate and quantify what workforce benefits and productivity gains have been made through its use of digital technology.</p> <p><b>Management response/agreed action:</b></p> <p>The Council will continue to grow the culture of embedding a standardised approach to Benefits Realisation: baselining service delivery costs and related “softer” metrics at the start of any improvement journey to ensure the impact of digital technology and new ways of working is maximised for improving efficiency of our workforce and outcomes for employees and citizens of Perth and Kinross.</p> <p><b>Responsible officer:</b> Strategic Lead for Customer and Digital Services</p> <p><b>Agreed date:</b> December 2025</p>	<p><b>Implemented</b></p> <p>The council's aim has been to continue to grow the culture of embedding a standardised approach to Benefits Realisation: baselining service delivery costs and related metrics to ensure the impact of digital technology and new ways of working is maximised for improving efficiency of its workforce and outcomes for employees.</p> <p>A new business partnering function has been introduced and a standardized approach to benefits realization is now embedded across digital transformation initiatives. Workforce benefits are captured, measured, and used to inform future decision-making.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p><b>BV3. Flexible working benefits</b></p> <p>Although the council's flexible working framework contains a section on how the council will measure effectiveness of the framework, no specifics are provided in relation to how this will be done.</p> <p><b>Risk</b> - there is a risk the council is not aware of the impact of flexible working on wellbeing and productivity.</p>	<p>The council should develop measures to assess the impact of its flexible working framework on staff productivity, wellbeing, and service performance to ensure these are being maintained or improved.</p> <p><b>Management response/agreed action:</b></p> <p>Strategic Leadership Team, Performance Improvement Team and People and Culture team will devise arrangements to capture qualitative and quantifiable data via pulse surveys, employee survey actions and feedback. Consideration will be given to how this can be captured via data and technology i.e. PK Performs to provide a standard approach in terms of performance monitoring.</p> <p><b>Responsible officer:</b></p> <p>Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Agreed date:</b> September 2025.</p>	<p><b>Partially Implemented</b></p> <p>A review of the Flexible Working Framework, including Hybrid working was undertaken. Flexible Working Guidance was refreshed in January 2025.</p> <p>The council's Working Smarter office rationalisation project gathered feedback on how well flexible/hybrid working arrangements have worked at team level.</p> <p>Employee engagement surveys have captured views on work life balance and levels of contribution that allows assessment of progress 2024 and 2025 surveys. The Workforce Planning Themed Board will consider additional measures.</p> <p><b>Responsible Officer:</b></p> <p>Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Revised target date:</b> 30 September 2026</p>
<p><b>BV4. Workforce-related benefits from shared service arrangements</b></p> <p>There will be inherent workforce related benefits arising from each of the shared working arrangements that the council has with its partners in Tayside and further afield.</p> <p><b>Risk</b> - Lessons are not learned and applied when creating new, or developing existing, shared working arrangements. The</p>	<p>The council should develop a formalised analysis of the workforce-related benefits arising from shared service arrangements and further explore additional opportunities for shared service arrangements.</p> <p><b>Management response/agreed action:</b></p> <p>The Workforce Planning Themed Board will determine an approach to identify</p>	<p><b>Partially Implemented</b></p> <p>Workforce plans have been developed, which have provided the opportunity for the Workforce Planning Themed Board to consider alternative models of service delivery within the Council and, where appropriate, with other organisations. This work continues through Transformation activity.</p> <p>Existing arrangements are reported to council</p>



Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<p>council may not be utilising opportunities for shared services and collaboration opportunities across partner organisations.</p>	<p>agreed measures and performance monitoring arrangements.</p> <p><b>Responsible officer:</b> Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Agreed date:</b> September 2025.</p>	<p>committees on a regular basis, an example being the Street Lighting Partnership, which is a collaboration with Tayside Contracts, Dundee City Council, and Angus Council.</p> <p>The council continues to explore other opportunities, such as Leadership Development opportunities available through NHS Tayside.</p> <p>Formalised analysis is still to be developed.</p> <p><b>Responsible Officer:</b> Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Revised target date:</b> 30 September 2026</p>
<p><b>BV5. Monitoring and reporting on service level workforce plans</b></p> <p>The council will need to set out its approach to monitoring and reporting on service level workforce plans.</p> <p><b>Risk</b> – service level workforce planning arrangements may not be supporting the delivery of the People and Culture Strategy.</p>	<p>The council should set out its arrangements for monitoring and reporting on service level workforce plans.</p> <p><b>Management response/agreed action:</b></p> <p>This will be discussed with the Workforce Planning Themed Board to agree how to take this forward in respect of monitoring progress and reporting arrangements.</p> <p><b>Responsible officer:</b> Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Agreed date:</b> March 2025</p>	<p><b>Implemented</b></p> <p>Service level workforce plans were developed using a standard template. This allowed a review of content and the identification of themes.</p> <p>The Workforce Planning Themed Board reviewed the themes and developed a broader programme of work, which was approved by the Finance and Resources Committee in June 2025 as part of reviewing the first year of the delivery of the People and Culture Strategy.</p> <p>The themes arising relate to resourcing challenges and requirements, skills development, leadership requirements and ongoing</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
		<p>engagement and wellbeing issues. These will be considered Council-wide and localised as appropriate.</p> <p>The Board has been the driver to achieve the submission of the initial 18-month service specific workforce plans and they are reviewing the content of these to develop the actions arising going forward.</p> <p>The Workforce Planning Board will continue to review the implementation of workforce plans and actions arising from them at their scheduled meetings. Further updates will be provided to the Finance and Resources Committee on an annual basis.</p>
<p><b>BV6. Measuring the impact of workforce planning</b></p> <p>The council has still to develop measures and targets to monitor and report on progress against the workforce plan.</p> <p><b>Risk</b> - workforce planning arrangements may not be supporting the delivery of the council's strategic priorities.</p>	<p>The council should further develop SMART measures and targets to assess the impact and effectiveness of its workforce planning actions in the People and Culture Strategy 2024-28.</p> <p><b>Management response/agreed action:</b></p> <p>This will be discussed with the Workforce Planning Themed Board to agree how to take this forward in respect of identifying measures to monitor progress, refreshing new or emerging priorities and reporting arrangements.</p> <p><b>Responsible officer:</b> Strategic Lead – Strategic Planning, People and Performance</p>	<p><b>Implemented</b></p> <p>In addition to the existing workforce measures (turnover, costs of overtime etc) the People and Culture Strategy includes specific measures of performance/success associated with the development and implementation of workforce plans.</p> <p>Updates on progress were presented to the Finance and Resources committee in June 2025 and will be continue to be presented on an annual basis.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
<b>Agreed date:</b> June 2025		
<p><b>BV 2022/23 b/f. Best Value Reporting</b></p> <p>The Council has made slow progress on recommendations reported in the 2019 Best Value Assurance Report.</p>	<p>The council should implement a process for routinely reporting Best Value action plan progress to committee.</p> <p><b>Management response/agreed action:</b></p> <p>An annual update will be provided through the Corporate Annual Performance Report which is reported to the Scrutiny and Performance Committee and the Council in September.</p> <p>This will also sit on our website as part of the supporting information which is accessible to the public. In addition, we will report six monthly to the Executive Leadership Team.</p> <p><b>Responsible Officer:</b> Strategic Lead – Strategic Planning, People and Performance</p> <p><b>Target date:</b> 30 September 2024</p> <p><b>Revised date:</b> 30 September 2025</p>	<p><b>Implemented</b></p> <p>The Annual Performance Report for 2024/25 presented to Scrutiny and Performance committee in September 2025 is supplemented by a progress report on how the Council is meeting its statutory duty to deliver best value, including an update on the Best Value Assurance Report (BVAR) improvement actions.</p> <p>The best value report referred to is being updated to meet accessibility requirements so is not currently available on PK Performs, but will be re-published once compliant</p> <p>Two actions remained outstanding from the 2019 BVAR:</p> <ul style="list-style-type: none"> <li>• developing a longer-term financial plan covering a five to ten year period</li> <li>• a wide-ranging review of the community planning partnership</li> </ul> <p>Sufficient evidence has been provided to the audit team to allow conclusion that both of these points have been addressed.</p>



# Appendix 2

## Summary of adjusted misstatements

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. Restated gross expenditure figures					
	Cost of services (Gross expenditure – Property)	10,863			
	Cost of Services (Gross expenditure – various)		10,863		
Net impact on restated 2023/24 financial statements		0	(0)		
2. Property, Plant and Equipment classification					
	Property, Plant and Equipment			493	
	Assets Held for Sale – Long-term				1,155
	Net cost of services	1082			
	Other Comprehensive Income and Expenditure		420		
3. Group IFRS 16 adjustment					
	Group reserves (Opening)				4,195
	Group other comprehensive income and expenditure			4,195	
4. Debtors and Creditors					
	Short term debtors			1,432	

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)	Balance Sheet
	Short term creditors		1,000
	Other long term liabilities		2,432
	<b>Net impact on financial statements</b>	<b>662</b>	<b>(662)</b>
<b>Audit adjustments in disclosures</b>			
1. A separate line was required in the Group Movement in Reserves Statement for Adjustment on transition to new accounting arrangements for leases.			
2. The line for Assets Held for Sale in Long-term Assets was removed.			
3. Disclosures in the Remuneration report were updated to include the additional senior employees identified for inclusion, and to separately disclose payments made to senior employees as compensation for loss of office.			

# Appendix 3

## Supporting national and performance audit reports

Report name	Date published
<a href="#">Local government budgets 2024/25</a>	15 May 2024
<a href="#">Scotland's colleges 2024</a>	19 September 2024
<a href="#">Integration Joint Boards: Finance and performance 2024</a>	25 July 2024
<a href="#">The National Fraud Initiative in Scotland 2024</a>	15 August 2024
<a href="#">Transformation in councils</a>	1 October 2024
<a href="#">Alcohol and drug services</a>	31 October 2024
<a href="#">Fiscal sustainability and reform in Scotland</a>	21 November 2024
<a href="#">Public service reform in Scotland: how do we turn rhetoric into reality?</a>	26 November 2024
<a href="#">NHS in Scotland 2024: Finance and performance</a>	3 December 2024
<a href="#">Auditing climate change</a>	7 January 2025
<a href="#">Local government in Scotland: Financial bulletin 2023/24</a>	28 January 2025
<a href="#">Transparency, transformation and the sustainability of council services</a>	28 January 2025
<a href="#">Sustainable transport</a>	30 January 2025
<a href="#">A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study</a>	20 February 2025
<a href="#">Additional support for learning</a>	27 February 2025
<a href="#">Integration Joint Boards: Finance bulletin 2023/24</a>	6 March 2025
<a href="#">Integration Joint Boards finances continue to be precarious</a>	6 March 2025
<a href="#">General practice: Progress since the 2018 General Medical Services contract</a>	27 March 2025
<a href="#">Council Tax rises in Scotland</a>	28 March 2025

# Perth and Kinross Council

## 2024/25 Annual Audit Report



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