



Stirling Council

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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.

Introduction

I have pleasure in presenting our planning report to the Audit Committee (“the Committee”) of Stirling Council (“the Council”) for the 2024/25 audit. I would like to draw your attention to the key messages of this paper:

Audit approach

Engagement risk

We have increased the overall engagement risk rating from ‘normal’ risk to ‘greater than normal’ risk. This is as a result of the ERP system implementation and delays in preparing the Statement of Accounts. The change in risk increases the internal quality procedures we are required to complete and has also been taken into consideration when determining our materiality levels.

Controls

We do not plan to rely on any controls as part of our audit, although we will assess the design and implementation of key controls in relation to the significant risks identified on page [9](#).

Audit timetable

Our timetable is summarised on page [23](#). We understand the draft financial statements are to be approved on 4 December 2025.

Audit risks

We plan our audit of the financial statements to respond to the risks of material misstatement to transactions and balances. Based on our initial risk assessment we have identified the following significant risks (page [9](#)):

- Management override of controls;
- Property valuations; and
- Completeness of expenditure

We will update the Audit Committee on any changes to this risk assessment throughout the audit.

Introduction

The key messages in this report

Areas of Audit Focus

The implementation of IFRS 16, the transition to Oracle Fusion and the defined pension benefit liability valuation have been identified as areas of audit focus. Our considerations on this are summarised on pages [13](#) to 15.

Wider Scope and Best Value requirements

Reflecting the fact that public money is involved, public sector 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 carrying out our risk assessment, we have considered the arrangements in place for the wider scope areas on page [16](#). As part of this work, we will consider the arrangements in place to secure Best Value (BV).

Team

Dave Johnson will be the appointment lead taking over from Ian Howse.

Dave Johnson
Lead audit partner

Our audit explained

What we consider when we plan the audit

Responsibilities of management

We expect management and those charged with governance to recognise the importance of a strong control environment and take proactive steps to deal with deficiencies identified on a timely basis.

Auditing standards require us to only accept or continue with an audit engagement when the preconditions for an audit are present. These preconditions include obtaining the agreement of management and those charged with governance that they acknowledge and understand their responsibilities for, amongst other things, internal control as is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of auditors

Our responsibilities are set out on pages [28](#) and [29](#).

Responsibilities of the Audit Committee

As explained further in the Responsibilities of the Audit Committee slide on page [22](#), the Audit Committee is responsible for:

- Reviewing internal financial controls and internal control and risk management systems (unless expressly addressed by a separate risk committee or by the Executive itself).
- Monitoring and reviewing the effectiveness of the internal audit function.
- Reporting in the annual report on the annual review of the effectiveness of risk management and internal control systems.
- Explaining what actions have been or are being taken to remedy any significant failings or weaknesses.

Scope of work and approach

We have the following key areas of responsibility under the Code of Audit Practice

Opinion on Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK) (“ISA (UK)”) and the Code of Audit Practice on Local Authority Accounting approved by the Auditor General for Scotland. The Council will prepare its accounts in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of the Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

Reporting on other requirements

Our responsibilities also include:

- an opinion on the audited parts of the Remuneration Report;
- under the Code of Audit Practice to read the information included in the Narrative Report and the Governance Statement, and report on whether they are consistent with the financial statements; and
- Concluding on specified matters on which auditors are required to report by exception, for example whether adequate accounting records have been kept.

Our reporting will be addressed to Stirling Council and the Accounts Commission.

Wider scope requirements, including considering and reporting on Best Value arrangements

Reflecting the fact that public money is involved, public sector 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 respect of:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

As part of this wider scope audit work, we are also required to consider whether there are appropriate organisation arrangements in place to secure Best Value in public services. Our approach to our wider scope audit work is detailed on page [16](#).

Other reporting requirements

Anti-money laundering - We are required to ensure that arrangements are in place to be informed of any suspected instances of money laundering at audited bodies. Any such instances will be advised to Audit Scotland.

Fraud returns - We are required to prepare and submit fraud returns to Audit Scotland for all frauds at audited bodies:

- Involving the misappropriation or theft of assets or cash which are facilitated by weaknesses in internal control; and/or
- Over £5,000.

Scope of work and approach (continued)

Our approach

Liaison with internal audit

ISA (UK) 610 “Using the work of internal auditors” prohibits use of internal audit to provide “direct assistance” to the audit. Our approach to the use of the work of Internal Audit has been designed to be compatible with these requirements.

We will review their reports and where they have identified specific material deficiencies in the control environment, consider adjusting our testing so that the audit risk is covered by our work.

Reliance on controls: Our risk assessment procedures will include obtaining an understanding of controls considered to be ‘relevant to the audit’. This involves evaluating the design of the controls and determining whether they have been implemented (“D&I”). We do not take a controls reliance approach to our audit.

IT environment

A quality IT environment underpins a good control environment, particularly as IT controls are configurable and often preventative in nature. Our IT specialists have reviewed the new financial ledger system and concluded that the Council’s IT environment applicable to financial processes is simple in nature and none of our significant audit risk areas are impacted by IT systems.

Promoting high quality reporting to stakeholders

We view the audit role as going beyond reactively checking compliance with requirements: we seek to provide advice on evolving good practice to promote high quality reporting.

We use and continually update International Financial Reporting Standards (“IFRS”) disclosure checklists in conjunction with the requirements of the Code to support the Council in preparing high quality drafts of the Annual Accounts, which we would recommend the Council complete during drafting.

Group scoping

ISA(UK) 600 (Revised), the revised auditing standard for the audit of Group financial statements is in effect for accounting periods beginning on or after 15 December 2023. The revisions to the standard focus on a risk based approach by developing an appropriate audit plan for each significant account, compared to the previous approach which identified individually significant entities. The revised standard also reinforces the need for robust communication and interactions between the group engagement partner, group engagement team and component auditors. Upon receipt of the draft Annual Accounts we will complete our group scoping procedures. However we expect the Council to be the only material subsidiary and all required work on the component balances will be performed by the group audit team.

Materiality

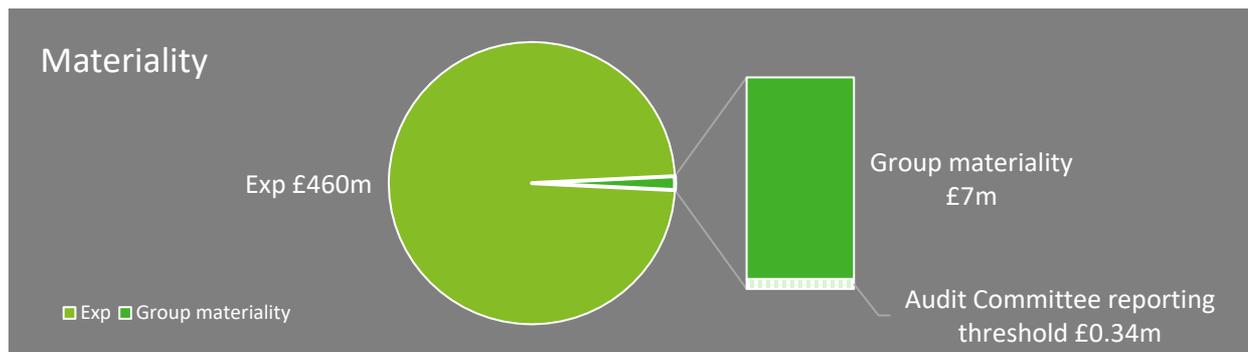
Our approach to materiality

Basis of our materiality benchmark

- The audit partner has determined group materiality as £6.890m (Council only: £6.740m) based on professional judgement, the requirement of auditing standards and the financial measures most relevant to users of the financial statements.
- We have used 1.5% of 2023/24 expenditure as the benchmark for determining materiality (2023/24: 1.5%). We will update this benchmark on receipt of the draft Annual Accounts for 2024/25. We considered increasing the materiality threshold however due to the increase in the engagement risk we concluded the 1.5% threshold remains appropriate.
- Expenditure is selected as the most appropriate benchmark based on the nature of the Council.
- We set performance materiality as a percentage of materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed materiality. We determine performance materiality with reference to factors such as the

quality of the control environment and the historical error rate. Our performance materiality has been set at £4.820m (2023/24: £4.800m) which is 70% of materiality (2023/24: 70%). This is the level to which we perform our testing.

- We have determined component performance materiality for the Council to be £4.710m. This is calculated as 95% of group performance materiality.
- **Reporting to those charged with governance**
- We will report to you all misstatements found in excess of £0.337m.
- We will report to you misstatements below this threshold if we consider them to be material by nature.



Although materiality is the judgement of the audit partner, the Audit Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.

Significant risks

Significant risk dashboard

Risk	Fraud risk	Planned approach to controls	Level of management judgement	Page no.
Management override of controls				10
Property valuations				11
Completeness of expenditure				12

- Level of management judgement**
-  Limited management judgement
 -  A degree of management judgement
 -  Significant management judgement

- Controls approach adopted**
-  Assess design & implementation

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA (UK) 240, management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the Statement of Accounts as well as the potential to override the Council's controls for specific transactions.

The key judgements in the Statement of Accounts are those which we have selected to be the significant audit risks – property valuation and completeness of expenditure. These are inherently the areas in which management has the potential to use their judgment to influence the Statement of Accounts.

Our response

In considering the risk of management override, we plan to perform the following audit procedures that directly address this risk:

- We will consider the overall control environment and 'tone at the top';
 - We will test the design and implementation of controls relating to journals and accounting estimates;
 - We will make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
 - We will test the appropriateness of journals and adjustments made in the preparation of the Statement of Accounts. We will use Spotlight data analytics tools to select journals for testing, based upon identification of items of potential audit interest;
 - We will review accounting estimates for biases that could result in material misstatements due to fraud and perform testing on key accounting estimates as discussed above; and
 - We will obtain an understanding of the business rationale of significant transactions that we become aware of that are outside of the normal course of business for the Council, or that otherwise appear to be unusual, given our understanding of the Council and its environment.
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Significant risks (continued)

Property Valuation

Risk identified	<p>The Council held £678.9m of property assets (council dwellings and land and buildings) as at 31 March 2024. The value of land and buildings represent significant balances in the Council's Annual Accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements in respect of key assumptions and apply estimation techniques to calculate the year end balances recorded in the Balance Sheet.</p> <p>The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years and any changes to the factors used in the valuation process could materially affect the value of the Council's assets as at year end. The Council needs to perform a review of all assets not subject to revaluation each year.</p> <p>The significant risk is therefore associated with the valuation of property assets, including all assets that are subject to revaluation as part of the rolling revaluation model, as they could materially differ from the year end fair value, particularly given that valuations are inherently judgemental and include a number of assumptions.</p>
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Our response	<p>We will complete the following procedures:</p> <ul style="list-style-type: none">• We will test the design and implementation of key controls in place around the property valuation;• We will engage using our valuation specialists, Deloitte Real Estates Advisory, to review the assumptions and methodology applied by management for a sample of the valuations;• We will select a sample of assets and test the inputs to the valuations and the key asset information provided by the Council to the valuer back to supporting documentation;• We will review the presentation and disclosure of the revaluation movements in the Annual Accounts to ensure the movements have been correctly recognised in the revaluation reserve and Comprehensive Income and Expenditure Statement;• We will review management's assessment to confirm that all assets that are required to be revalued in 2024/25 under the rolling programme have been revalued in year; and• We will review assets not subject to valuation in 2024/25 in order to confirm that the remaining asset base is not materially misstated.
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Significant risks (continued)

Completeness of Expenditure

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 therefore rebutted the risk of fraud in revenue recognition and have concluded the fraud risk is in the completeness of expenditure.

The Council have achieved a year end surplus and are operating in a financially challenged environment with increasing demand for services. Our judgement is that the significant risk at the Council relates to the completeness of expenditure and accruals and the potential improper capitalisation of revenue expenditure. We will therefore target our audit work in these areas.

Our response We will complete the following procedures:

- We will test the design and implementation of controls over the year end accruals process;
- We will test the design and implementation of controls over the recognition of capital additions;
- We will perform detailed testing on a sample of capital additions to ensure the items are capital in nature;
- We will perform detailed testing on a sample of accruals and challenge the assumptions used to ensure they are reasonable; and
- We will test a sample of post year end invoices and bank transactions in order to ensure that the associated expenditure has been recognised in the correct financial year.

Other areas of audit focus

We have identified the below areas of audit interest, although we do not consider these to be significant risks

Risk identified	IFRS 16, Leases
Summary	<p>IFRS 16 is effective for local government bodies from 1 April 2024. The introduction of IFRS 16 will have a significant impact on the Balance Sheet and on recorded capital expenditure for the Council. IFRS16 will also impact on the accounting for the Private Finance initiatives ('PFI') and Private Partnership Contracts ('PPC'). The Council disclosed in their 2023/24 Annual Accounts that the quantification of the expected impact of applying IFRS 16 in 2024/25 was currently impracticable. The conversion to IFRS 16 requires a considerable amount of time to obtain the information and calculate the asset and liability values.</p> <p>IFRS 16 disclosures will need to be presented in the notes to the financial statements, both qualitative and quantitative information.</p> <p>From our initial risk assessment, we have concluded this as an area of focus, however, upon receipt of the Council's IFRS16 assessment we will review the risk assessment.</p>
Deloitte response	<p>We will complete the following procedures:</p> <ul style="list-style-type: none">• We will request from management an accounting paper on the implementation of IFRS 16 (including the controls in place over reporting under the standard, and any additional judgements identified in transition and in-year application);• We will test the completeness of the leases by selecting a sample from the contracts register;• We will test the design and implementation of controls for ensuring the completeness of the disclosure and the valuation of the right of use asset and lease liability;• We will select a sample of assets and agree the inputs into the IFRS16 calculations to underlying lease agreements;• We will test the adjustments arising from the implementation of IFRS 16 for PFIs/PPCs; and• We will review the disclosures in the Annual Accounts to ensure they meet the requirements of the CIPFA code.

Other areas of audit focus (continued)

We have identified the below areas of audit interest, although we do not consider these to be significant risks

Risk identified	Implementation of new IT System
Summary	A new IT system (Oracle Fusion) was implemented by the Council in April 2024. This creates an increased risk over completeness and accuracy of data as data was migrated from eFinancials to Oracle for the 2024/25 audit. Audit procedures will need to be performed to ensure that the data was transferred successfully.
Deloitte response	We will complete the following procedures: <ul style="list-style-type: none"><li data-bbox="324 568 1792 635">• We will review the design and implementation of controls to ensure the completeness of the migration of the data;<li data-bbox="324 644 1619 672">• We will engage our IT team and perform additional procedures over processes and controls; and<li data-bbox="324 681 1846 748">• We will perform additional procedures on the reconciliation of the data transferred, to ensure the transfer of data to Oracle is accurate and complete.

Other areas of audit focus (continued)

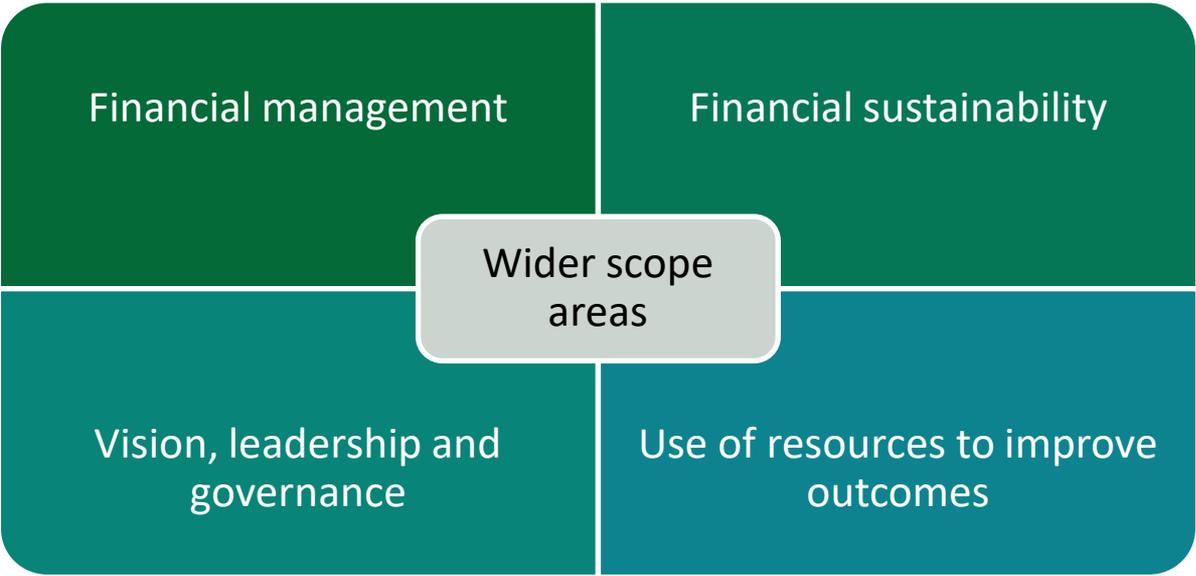
We have identified the below areas of audit interest, although do not consider these to be significant risks

Risk identified	Defined pension liability valuation
Summary	<p>The pension liability is a material element of the Council's Balance Sheet. The valuation of the Scheme relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. Furthermore, there are financial and demographic assumptions used in the calculation of the Council's valuation - e.g. the discount rate, inflation rates, mortality rates. These assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to the pension liability accounted for in the Statement of Accounts. The Falkirk Pension Fund, which Stirling Council is a member of, is in a surplus position and therefore the Council holds a pension asset rather than a liability. There is judgment required in determining the recognition of the asset under IFRIC 14.</p>
Deloitte response	<p>We will complete the following procedures:</p> <ul style="list-style-type: none">• Agree the actuarial report for the Council produced by Hymans Robertson, the scheme actuary, to the Statement of Accounts pension disclosures;• Review the disclosures made in the Statement of Accounts against the requirements of the Code;• Engage the audit team of Falkirk Pension Fund to request the completion of audit procedures to obtain assurances over the information supplied to the actuary in relation to the Council;• Assess the independence and expertise of the actuary supporting the basis of reliance upon their work;• Review and challenge the asset ceiling calculation and ensure this meets the requirements of IFRIC 14;• Engage our internal actuarial specialists to review and challenge the assumptions made by Hymans Robertson; and• Assess the reasonableness of the Council's share of the total assets of the scheme by reference to the Pension Fund financial statements.

Wider scope requirements

Overview

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in the following areas.



In local government, public audit includes the audit of arrangements for, and performance of, the audited body’s duties for Best Value and community planning. In accordance with Audit Scotland planning guidance, we are required to undertake this duty in a way that is proportionate to the size and type of body. Our work on the wider scope areas, discussed on pages 17 and 18, will contribute to our consideration of how the Council demonstrates that it is meeting its Best Value responsibilities.

As part of our initial risk assessment, we have considered the arrangements in place for the wider scope areas and have summarised these on the following pages. We have identified the following potential significant risks: change in ERP system, financial position and the changes in the executive team.

Wider scope requirements (continued)

Risk assessment

Area	Risk assessment
Financial management	<p>The Council has implemented a new ERP system which went live in April 2024. The Council has experienced challenges in implementing the new system which has resulted in delays in preparing the 2024/25 draft Annual Accounts. We have therefore concluded there is a potential significant risk due to the lack of timeliness of preparing the Annual Accounts.</p>
Financial sustainability	<p>While the Council has 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.</p> <p>This is based on a number of factors, including:</p> <ul style="list-style-type: none">• The Council set their General Fund Revenue Budget for 2024/25 on 29 February 2024. The budget gap was £16.328m for 2024/25.• The 2025/26 budget is projecting a £23.430m budget gap with the assumptions that £11.103m mitigations can be delivered.• Pressures on expenditure including public sector pay costs, non-inflationary pressures not being met by increased income, resulting in a net budget gap in 2025/26 of £12.327m before agreeing savings options.• Indicative gaps of £10.122m and £11.111m identified for 2026/27 and 2027/28, respectively. <p>Based on the above have concluded there is a potential significant risk in financial sustainability.</p>

Wider scope requirements (continued)

Risk assessment (continued)

Area	Risk assessment
Vision, leadership and governance	<p>The Council has a 3-Year Business Plan which 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.</p> <p>There have been changes in the executive team and the Council have made recent appointments to senior leadership, – notably the Chief Executive and Chief Finance Officer. There has also been a change in the Council leader during 2024/25. This could impact on governance arrangements and therefore we have included this as a potential significant risk.</p>
Use of resources to improve outcomes	<p>In 2023/24, we concluded that the Council had an appropriate and effective best value framework in place. The Council has a performance management framework which aligns to the council's visions and priorities. The Council monitors performance through a set of key performance indicators that are reviewed at the relevant service Committee's.</p> <p>We have not identified any potential significant risks within the use of resources at the Council.</p>

Wider scope requirements (continued)

Other requirements

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

Considering Best Value (BV) arrangements	Reporting requirements
<p>1. Follow-up and risk based work – following up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports (BVAR) and Annual Audit Reports.</p>	<p>We will report our judgement on the pace and depth of improvement in our Annual Audit Report.</p>
<p>2. Service improvement and reporting – Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities.</p>	<p>We will assess annually how effectively the Council demonstrates this improvement and report in the Annual Audit Report for 2024/25.</p> <p>We will also report in the Annual Audit Report a summary of the information the Council reports publicly on its service performance, drawing upon the information that the Council is required to report on by the Accounts Commission’s Statutory Performance Information Direction. This takes forward the service assessments previously reported in the BVAR on the Council.</p>
<p>3. Thematic reviews – we are required to report on Best Value or related themes prescribed by the Accounts Commission.</p> <p>The thematic work for 2024/25 requires us to carry out a review of service transformation.</p>	<p>We will report our conclusions in a separate management report on this work, using a template provided by Audit Scotland. This will be reported to those charged with governance in the Council prior to the conclusion of the 2024/25 audit. A summary of the findings and conclusions will be reported in our Annual Audit Report.</p>
<p>4. Contributing to Controller of Audit reports – The Controller of Audit will report to the Accounts Commission on each council’s performance in meeting its Best Value duties at least once over the five-year appointments.</p>	<p>The report will be prepared by for the Controller by Performance Audit and Best Value (PABV) staff and will be a summary of information and judgements reported by each auditor. The latest Annual Report will be presented to the Commission with the Controller’s report.</p>

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 establish our respective responsibilities in relation to the financial statements audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope; and
- Key regulatory and corporate governance updates, relevant to you

Use of this report

This report has been prepared for the Audit Committee on behalf of 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. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don't report

As you will be aware, our audit is not designed to identify all matters that may be relevant to Stirling 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, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

We will update you if there are any significant changes to the audit plan.

Deloitte LLP

Leeds | November 2025

Appendices

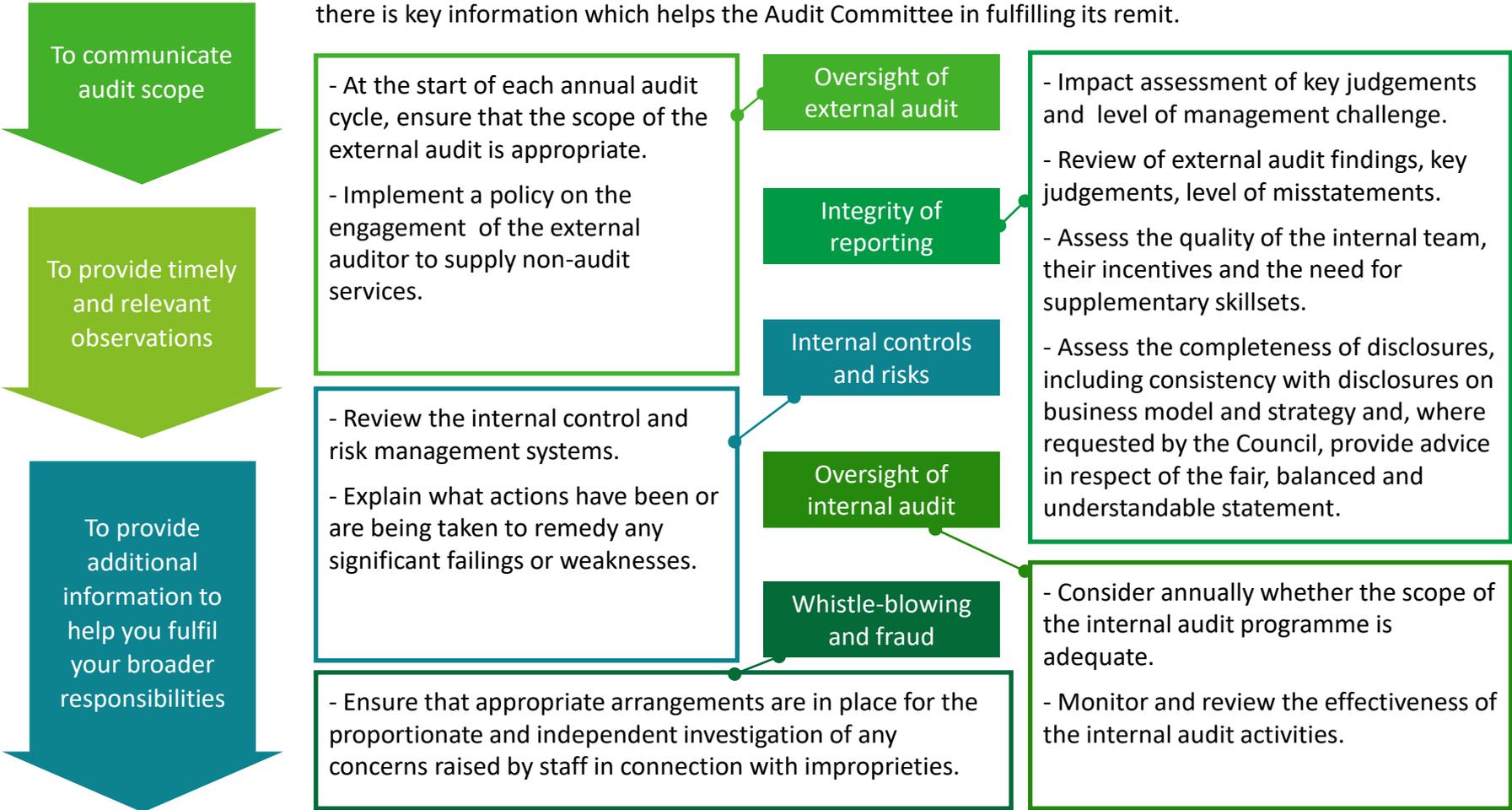


Responsibilities of the Audit Committee

Helping you fulfil your responsibilities

Why do we interact with the Audit Committee?

As a result of regulatory change in recent years, the role of the Audit Committee has significantly expanded. We set out here a summary of the core areas of Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.



Continuous Communication and Reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



* Please note we will not have capacity to complete any audit procedures during May and June

Continuous communication and reporting (continued)

Our key areas of responsibility under the Code of Audit Practice

Planned output	Proposed reporting timeline to the Committee
Annual Audit Plan	5 December 2025
Independent Auditor's Report	31 March 2026
Annual Audit Report	31 March 2026
Auditor certificate of housing benefit	30 November 2025
Auditor certificate of non-domestic rates return	30 November 2025

Our approach to quality

Our commitment to audit quality

Audit quality is at the heart of everything we do and our system of quality management (SoQM) 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 annual evaluation of its system of quality management as at 31 May 2025. This evaluation was conducted in accordance with ISQM (UK) 1 and we concluded our SoQM provides the firm with reasonable assurance that the objectives of the SoQM are being achieved as at 31 May 2025.

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



Our approach to quality (continued)

FRC 2024/25 Audit Quality Inspection and Supervision report

We are proud of the continuing strength the results of our FRC inspections show.

In July 2025, the Financial Reporting Council (“FRC”) issued individual reports on each of the six largest firms, including Deloitte, on Audit Quality Inspection and Supervision, providing a summary of the findings of its Audit Quality Review (“AQR”) team for the 2024/25 cycle of reviews.

We value the observations raised by both the FRC Supervision teams and the ICAEW Quality Assurance Department (“QAD”), both in identifying areas for improvement and also the ongoing focus on sharing good practice.

Results of our FRC inspections show that 95% (2023/24: 94%) of our public interest audits were rated as ‘good or limited improvements’ and that 90% (2024: 100%) of our audits reviewed by the ICAEW’s QAD were assessed as good or generally acceptable.

Over the last five years, our AQR results have consistently improved. This reflects our commitment to excellence, our mindset, behaviours, controls and processes. These are all critical to our achieving high-quality outcomes in the public interest.

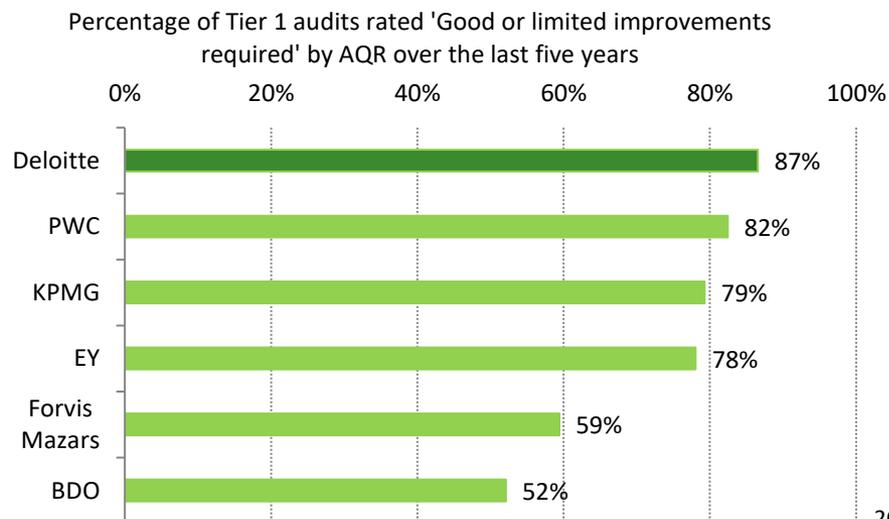
Consistent with our culture of continuous improvement, we are not complacent and recognise there is always more we can do. We put a significant level of investment, resource and effort into taking real-time actions throughout the year to address findings and to enhance our system of quality management (SoQM).

Overall, we have seen a reduction in the number of findings arising from regulatory inspections as well as a reduction in the number of findings where the root cause was direction, supervision or review.

We are pleased to see the positive impact of actions taken over the last 12 months to address certain findings raised by the FRC and their associated root causes.

We welcome the breadth and depth of good practice points raised by the FRC and ICAEW, particularly in respect of accounting estimates and judgements, which includes robust procedures performed over impairment and asset valuations, revenue and effective group oversight. These have all been areas where we have taken specific actions to support the high-quality execution of audit work.

All the AQR public reports are available on the [FRC's website](#).



Prior year audit adjustments

Uncorrected misstatements

The following uncorrected misstatements were identified during the 2023/24 audit.

		Debit/(credit) CIES £m	Debit/(credit) in net assets £m	Debit/(credit) prior year reserves £m	Debit/(credit) Equity £m
Misstatements identified in current year					
PFI – Balfron Land Revaluation	[1]	-	0.564	-	(0.564)
Overstatement of Infrastructure Additions					
- Factual Error:		0.346	(0.346)	-	
- 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 resulted in the NBV and the PFI related disclosure for the 2023/24 Annual Accounts being 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 resulted in an overstatement of Infrastructure Assets – with a factual error of £0.346m and a projected error of £0.686m, leading to the total overstatement below.

Total Overstatement: £1.032m

Our other responsibilities explained

Fraud responsibilities



Your 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.



Our responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- 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.
- As set out in the significant risks section of this document, we have identified risks of material misstatement due to fraud in management override of controls and completeness of expenditure.
- 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.
- We will communicate to you any other matters related to fraud that are, in our judgment, relevant to your responsibilities. In doing so, we shall consider the matters, if any, regarding management's process for identifying and responding to the risks of fraud and our assessment of the risks of material misstatement due to fraud.



Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Our other responsibilities explained (continued)

Fraud responsibilities

We will make the following inquiries regarding fraud and non-compliance with laws and regulations:



Management and other personnel:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to risks of fraud.
- Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.
- We plan to involve management from outside the finance function in our inquiries, in particular the Chief Executive Officer.
- We will also make inquiries of personnel who are expected to deal with allegations of fraud raised by employees or other parties.



Internal audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.



Those charged with governance

- How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.
- Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.
- The views of those charged with governance on the most significant fraud risk factors affecting the entity, including those specific to the sector.

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 will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2025 in our final report to the Audit Committee.

Fees

The expected fee for 2024/25, as communicated by Audit Scotland in January 2025 is analysed below:

	£
Auditor remuneration	252,240
Audit Scotland fixed charges:	
• Pooled costs	6,340
• Contribution to PABV costs	60,090
• Sectoral cap adjustment	(6,330)
Total expected fee	312,340

In addition to the above, there will be a fee for the audit of the charitable trusts which will be agreed and discussed with management. There will be additional fees for in year scope changes including the change in IT system and IFRS 16. These will be discussed with management after the work has been completed.

There are no non-audit fees.

Non-audit services

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.



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