



Fife Council

External Audit Annual Plan

Year ended 31 March 2026

April 2026

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Introduction

Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Fife Council and its group (“the Council”) and the charitable trusts administered by the Council for the year ended 31 March 2026.

The main elements of the audit include:

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

Responsibilities of the Council and the auditor

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

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

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

[Appendix 2](#) provides further details of our respective responsibilities.

Adding value through the audit

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

Feedback

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

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

Openness and transparency

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

Audit scope and general approach

Risk-based audit approach

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

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

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

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

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

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

Communication with those charged with governance

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

Partnership working

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

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

Audit Scotland

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

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

Shared risk assessment and joint scrutiny planning

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

Internal Audit

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

Assurance Protocols

Audit Scotland produces protocols to provide an agreed framework for auditors to seek and provide assurances in specific areas. Assurance protocols are in place for the Local Government Pension Scheme. We may utilise these protocols in respect of the calculation of pension contributions and reliability of source data passed to actuaries.

Delivering the audit

Hybrid audit approach

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

Secure sharing of information

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

Regular contact

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

Materiality

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

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both.

Our determination of materiality:

- Informs the scope of our audit and audit procedures
- Informs the sample sizes required for substantive testing
- Informs our consideration in evaluation the effect of actual and projected misstatements in the financial statements

Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

Materiality levels are summarised as follows:

Planning materiality: We have set our materiality at 2% of gross expenditure as reported in the audited financial statements for 2024/25, resulting in £39million for the Council and £39.770million for the Group.

Performance materiality: Using our professional judgment, we have assessed performance materiality at 75% of planning materiality, resulting in £29.250million for the Council and £29.827million for the Group.

Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £1.950million for the Council and £1.988million for the Group.

Specific materiality: In addition to the above, we consider any areas for specific lower materiality. We apply separate materiality levels to Common Good (£13million) and the Non-Domestic Rate Income Account (£4.558million).

Accounting systems and internal controls

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

Specialised skill or knowledge required to complete the audit procedures

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

Going Concern

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

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

Management responsibility

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

Auditor responsibility

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

In assessing going concern, we take cognisance of the guidance published in Practice Note 10 (PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

Prevention and detection of fraud or error

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

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

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

National Fraud Initiative

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

The most recent NFI exercise commenced in 2024, the findings of which will be published in Audit Scotland's NFI report in summer 2026.

We continue to monitor Council's participation and progress in NFI and, where appropriate, will include references to NFI in our 2025/26 Annual Audit Report. In addition, we are required, in 2025/26, to complete a return for Audit Scotland, assessing the Council's participation in the NFI exercise. The return assesses the adequacy of NFI governance

arrangements and follow-up activity. We submitted this return in February 2026. The information provided in the return is a key source of information for Audit Scotland's NFI report.

Anti-money laundering

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

National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General and Accounts Commission, they will request auditors to consider and report on those risks as they apply at a local level. For 2025/26 no such risks have been specified.

Correspondence

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

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

Whole of Government Accounts

Auditors are required to provide assurance on Whole of Government Accounts (WGA) returns prepared by local government bodies by:

- Examining returns over a prescribed threshold
- Completing (partially for those below the threshold) and submitting an Assurance Statement to the National Audit Office (NAO)
- Submitted the WGA return to HM Treasury and the NAO

We follow specified testing procedures as set out by Audit Scotland in a Technical Guidance Note. To enable us to provide assurance on the WGA returns we require a copy of the Council's WGA return as prepared and submitted.

Wider scope of public audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgments and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 2](#) provides detail of the wider scope areas of our work. Our initial risk assessment and scope of work planned for 2025/26 is outlined in the “Wider scope of public audit” section of this plan.

Best Value

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

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

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

2. Risk based evaluation of the arrangements in place to secure Best Value: We pay due regard to the Council’s arrangements in respect of the seven Best Value themes in identifying any significant risks. The best value themes can be mapped to our wider scope work and therefore through our wider scope work we apply due consideration to all the best value themes.

3. Assessing the arrangements for statutory performance: The Accounts Commission has a statutory responsibility to define the performance information that Councils must publish. This responsibility links with the Commission's Best Value audit responsibilities. In turn, Councils have their own responsibilities, under their Best Value duty, to report performance to the public. The Accounts Commission issued a Statutory Performance Information Direction in December 2024 (applies from 2025/26) which requires the Council to report on the following four key areas as part of its performance information:

- Using resources effectively to address strategic priorities.
- Working with partner and communities to achieve shared outcomes.
- Financial sustainability and budget transparency.
- Use of data and assessments to support improvement and transformation.

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

4. Thematic reviews: we are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2025/26 is on asset management and will involve auditors considering how Councils are managing their assets to ensure high quality services whilst also responding to challenges around financial sustainability and climate change. We will report our conclusions in a separate report which will be presented to those charged with governance and published on Audit Scotland's website.

5. Contributing to Controller of Audit reports: the Controller of Audit reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five year audit appointment. The report is a summary of information and judgments reported by each auditor. The Controller of Audit prepared a Best Value report for Fife Council which was considered by the Accounts Commission in February 2025. Following this, the Accounts Commission's findings were presented to the Council in May 2025. Our work in this area for 2025/26 will follow up on the Accounts Commission findings.

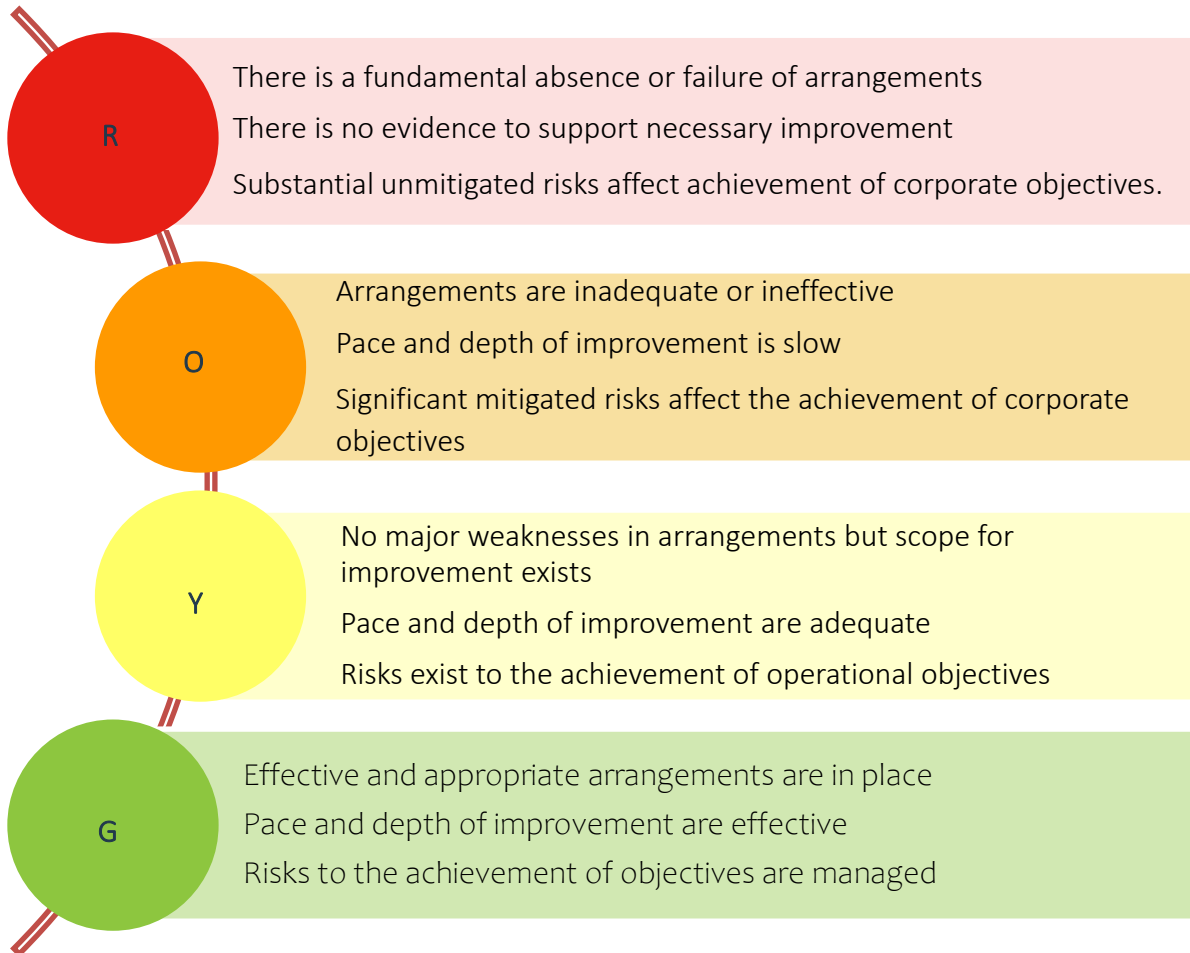
Reporting our findings

At the conclusion of the audit we will issue:

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

Definitions

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



Financial statements - significant and other risks of material misstatement

Significant risks are defined as risks that require special audit consideration and include risks of material misstatement that are close to the upper range of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement, or are required to be treated as significant risks due to requirements of auditing standards.

The table below summarises each significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Significant risk	Financial Statement or Assertion Level Risk	Fraud Risk	Approach to controls	Level of judgment / estimation uncertainty
Management override of controls	Financial Statement	Yes	Assess design and implementation	Very high
Presumption of fraud in revenue recognition	Assertion	Rebutted	Assess design and implementation	Low
Presumption of fraud in expenditure recognition	Assertion	Rebutted	Assess design and implementation	Low
Valuation of Council and Common Good land and buildings	Assertion	No	Assess design and implementation	High
Valuation of Council Dwellings	Assertion	No	Assess design and implementation	High
Valuation of defined benefit pension fund net liability / asset (IAS 19)	Assertion	No	Assess design and implementation	High

Significant risks at the financial statement level

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

Management override of controls	Audit approach
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgments and one-off transactions outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design and implementation effectiveness of management controls over journals. • Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals. • Testing high risk and/or unusual journals posted during the year and after the draft financial statements stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with Council’s journals policy. • Gaining an understanding of the key accounting estimates and critical judgments made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud. • Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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

Fraud in revenue recognition	Audit approach
<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted due to the following:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Council.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgment remains appropriate.</p> <p>Procedures we will perform in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements • Evaluating the Council's accounting policies for recognition of income and compliance with the CIPFA Code. • Performing substantive testing of income and the associated receivables using tests of detail by ensuring they can be traced to appropriate supporting evidence.

Fraud in expenditure recognition	Audit approach
<p>Due to the presumption that there are risks of fraud in expenditure recognition, we are required to evaluate which types of expenditure, expenditure transactions or assertions give rise to such risks.</p> <p>We have considered Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore considered the risk of fraud in expenditure at the Council for all expenditure streams and concluded that there is not a significant risk.</p> <p>This is due to the low fraud risk in the nature of the underlying nature of the transactions, the high predictability of certain expenditure streams, such as depreciation and interest, or the immaterial nature of the expenditure streams both individually and collectively.</p> <p>Therefore, we do not consider this to be a significant risk for the Council.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgment remains appropriate.</p> <p>Procedures we will perform in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the Council’s systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements. • Verifying that the operating expenses included within the financial statements are complete by substantively testing post year-end invoices received and cash payments made. • Evaluating the Council’s accounting policies for recognition of expenditure and compliance with the CIPFA Code. • Performing substantive testing of expenditure and the associated payables using tests of detail by ensuring they can be traced to appropriate supporting evidence. • Performing substantive testing of year-end accruals using tests of detail by ensuring they can be traced to appropriate supporting evidence.

Valuation of land and buildings (Council and Common Good) (key accounting estimate)	Audit approach
<p>Revaluation of the Council and Common Good's operational land and buildings should be performed in line with the revised revaluation requirements for 2025/26 onwards set out in the Code of Practice on Local Authority Accounting in the UK (the CIPFA Code).</p> <p>The Council has adopted the following approach to its land and buildings valuations for 2025/26 onwards - rolling five year programme with use of indexation in intervening years, to ensure compliance with the revised requirements set out in the CIPFA Code.</p> <p>Management engage the services of a qualified internal valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2026 . The valuers are looking to engage further experts to support on the provision of appropriate indices, to ensure compliance with the CIPFA Code requirements.</p> <p>The valuations and index uplifts involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of management's valuation experts and the methods, assumptions and source data underlying the fair value estimates.</p> <p>This represents a key accounting estimate made by management within</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Considering the basis on which the valuations and indexation uplifts are carried out and challenging the key assumptions applied. • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding. • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct. • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially misstated. • Engaging our own valuations expert, where necessary, to assess any judgmental assumptions used that underpin the final valuations.

Valuation of land and buildings (Council and Common Good) (key accounting estimate)	Audit approach
<p>the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of operational land and buildings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations, there are significant changes to any of the key assumptions or the year-end valuation is considered material.</p> <p>Inherent risk of material misstatement: Land and buildings (Council and Common Good) (valuation): High</p>	

Valuation of Council Dwellings (key accounting estimate)	Audit approach
<p>Revaluation of council dwellings should be performed with sufficient regularity so that carrying amounts are not materially misstated. The Council values the full portfolio of council dwellings every 5 years with an annual review completed in intervening years to advise whether there has been a change in the value of housing stock since the last full revaluation.</p> <p>Management engaged the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2026. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings as a significant risk.</p> <p>Inherent risk of material misstatement: Council Dwellings (valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating management processes, controls and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Considering the basis on which the valuations are carried out and challenging the key assumptions applied. • Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. • For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding. • Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct. • Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially misstated.

Valuation of the defined benefit pension net liability / asset – IAS 19 – (key accounting estimate)	Audit approach
<p>The pension fund net liability/asset is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. An actuarial estimate of the net defined benefit pension liability/asset is calculated on an annual basis under IAS 19 ‘Employee Benefits’, and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the Code of Practice on Local Authority Accounting in the UK.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset (where relevant). ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the gross asset and liability values involved, the subjectivity of the</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Evaluating managements processes for the calculation of the estimate, the instructions issued to management’s expert (the actuary) and the scope of their work. • Evaluating the competence, capabilities and objectivity of the actuary. • Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete. • Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditors’ expert. • Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • If the pension fund is in surplus, ensuring that any asset recorded in the financial statements, and any additional liabilities for secondary contributions have been accounted for correctly in line with the requirements of IFRIC 14. • Obtaining assurances from the pension fund auditor as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.

Valuation of the defined benefit pension net liability / asset – IAS 19 – (key accounting estimate)	Audit approach
<p>measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p>Inherent risk of material misstatement: Pension net liability / asset (valuation): High</p>	

Other risks

This section summarises other identified risks which, although not considered to be significant, require specific consideration during the audit.

Service concession arrangement models	Audit approach
<p>Fife Council has three service concession arrangements:</p> <ul style="list-style-type: none"> • PPP1 (A New Way Forward); • PPP2 (Expanding Horizons); and • NPD (Levenmouth Academy). <p>In 2024/25, the Council implemented IFRS 16 which requires lease liabilities of service concession arrangements to be remeasured where indexation or changes in a rate affect future payments. In our 2024/25 audit, we identified several further developments required to the Council's service concession arrangement models. These included:</p> <ul style="list-style-type: none"> • Incorporation of utility costs in unitary charges (PPP1 model). • Clear documentation of variations included within uplifts to unitary charges (PPP2 model). <p>Whilst we concluded that neither of these had a material impact on the 2024/25 financial statements, these developments are expected to have an impact on the value of future unitary charges and therefore, the value of service concession arrangement liabilities.</p> <p>The Council intends to engage with its management expert, MUFG, to provide calculations and adjustments to support IFRS 16 remeasurement entries for 2025/26.</p>	<p>Procedures performed in this area will include:</p> <ul style="list-style-type: none"> • Gaining an understanding of the progress made by the Council in implementing the further developments required to its service arrangements models. • Reviewing the Council's calculation of unitary charges. • Reviewing the remeasurement calculations and adjustments as provided by the Council's management expert, MUFG, and ensuring the information provided by the Council to MUFG is accurate and complete.

Other material balances and transactions

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

Group audit scope and risk assessment

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

Group audit scope

The Group consists of the following entities:

Component	Risk of material misstatement to the Group?	Scope	Planned audit approach	Risks identified
Fife Council	Yes	Full	Full scope statutory audit, as set out in this audit plan.	As set out in section: "Financial Statements-significant and other risks of material misstatement".
Fife Integration Joint Board	No	None	No procedures planned.	None
Fife Coast & Countryside Trust	No	None	No procedures planned.	None
Fife Cultural Trust	No	None	No procedures planned.	None
Fife Golf Trust	No	None	No procedures planned.	None
Fife Sports & Leisure Trust	No	None	No procedures planned.	None
Cireco (Scotland) LLP	No	None	No procedures planned.	None
Fife Resources Solutions LLP	No	None	No procedures planned.	None

Component	Risk of material misstatement to the Group?	Scope	Planned audit approach	Risks identified
Business Gateway Fife	No	None	No procedures planned.	None
Fife Council Charitable Trusts	No	None	No procedures planned.	None
Fife Council Other Trusts	No	None	No procedures planned.	None
Common Good	Yes	Specific	Specific scope procedures on asset valuations completed by Azets.	Valuation of Council and Common Good land and buildings, as set out in section: "Financial Statements-significant and other risks of material misstatement".

Definitions:

Full Scope Design and perform further audit procedures on the entire financial information of the component, beyond procedures completed to review the consolidation.

Specific Scope Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures, beyond procedures completed to review the consolidation.

None Where risk of material misstatement to the Group is not material. No further audit procedures required, beyond procedures completed to review the consolidation.

Risks at the component-level

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

IT Audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those walkthrough key controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them.

Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

We will consult internally with our Technology Risk team for them to support the audit team by assessing the information technology general controls (ITGC) of the following systems:

IT Application	Audit area	Planned level of IT audit assessment
Finance System (Oracle)	Financial Reporting	ITGC assessment (design and implementation effectiveness only)
Active Directory	Network Access	ITGC assessment (design and implementation effectiveness only)

As with the remainder of the audit, our risk assessment over the IT environment is a continuous process. As we complete work throughout the audit, we may identify further systems operated by the Council, relevant to the production of the financial statements, that we consider fall within the scope of ISA 315 in relation to ITGC. Where this is the case, we will discuss with management the testing requirements to obtain the relevant assurances, again supported by our Technology Risk Team.

Wider scope of public audit

Introduction

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

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

Our audit approach to the wider scope audit areas

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

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

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

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

We have identified one significant risk in relation to financial sustainability as set out in the table below. At this stage, we have not identified any significant risks in relation to the other wider scope areas. Audit planning is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our Annual Audit Report.

Wider scope significant risks

Financial sustainability

The Council's financial planning is underpinned by its Medium-Term Financial Strategy (MTFS). The MTFS presented to the Council in February 2026, projected provisional cumulative budget gaps after provision of pressures and investment and before mitigations of £14.121million for 2026/27, rising to £30.301million for 2027/28 and £56.948million for 2028/29.

The Council identified several initiatives to present a balanced budget for 2026/27. These include:

- Identified budget savings of £0.055million.
- Increase in Council Tax Increase of 5% (anticipated gap reduction £10.579million).
- Use of balances to support investment (anticipated value of one-off investment £3.487million).

After revising the medium term financial plan to incorporate the same assumptions as for 2026/27, alongside a forecast increase in Council Tax of 5% in 2027/28 and 0% 2028/29, the Council continues to forecast funding gaps of £8.450million and £35.097million respectively for 2026/27 and 2027/28. Work has commenced on developing transformation projects that are expected to generate further efficiency savings and help mitigate budget gaps in the medium to longer term.

To further develop the Council's decision making to support medium term financial planning, a budget consultation was incorporated into the development of the MTFS to increase residents' understanding of the financial environment that the Council operates in and the options available to manage these challenges.

The Council has recognised that the HRA budget is also under considerable financial pressure and continues to face a high level of financial risk. The 2026/27 funding gap on the HRA budget is £7.205million which is agreed to be mitigated by a 5.5% rental increase and a stairwell charge approved by the Council in February 2026. A further consultation is ongoing over the stairwell service charge in the Levenmouth area where the outcome of the consultation is to be reported to the Cabinet Committee in April 2026. Close monitoring of the key pressures facing the HRA including inflationary pressures and the cost of financing capital investment will be essential to ensure the HRA remains affordable and sustainable.

Financial sustainability**Our audit response:**

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

Further wider scope considerations

In formulating our audit plan, we identified areas of possible significant risk in relation to all wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist:

Financial management

- Whether the Council achieves its 2025/26 financial targets.
- Whether the Council can demonstrate its effectiveness of its budgetary control system in managing its finances.

Vision, leadership and governance

- Whether the Council can demonstrate that the governance arrangements in place are appropriate and operating effectively.
- The progress made by the Council in delivering Plan for Fife 2024-2027 and preparing for the next iteration of the Plan for Fife.

Use of resources to improve outcomes

- How the Council demonstrates a focus on continuous improvement in the context of continuing financial and operational challenge.

Best Value

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

Our areas of focus in 2025/26

- The impact of health and social care financial challenges on the Council and consideration of reporting a whole system view.
- The Council's arrangements relating to the Best Value theme of fairness and equality.

Fife Council Charitable Trusts

Introduction

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

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

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

Significant risks at the financial statement level

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

Management override of controls	Audit approach
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgments and one-off transactions</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • Testing high risk and / or unusual journals posted during the year and after the unaudited financial statements stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the journals policy. • Gaining an understanding of the accounting estimates and critical

Management override of controls	Audit approach
<p>outside the ordinary course of the business.</p> <p>Risk of material misstatement: Very High</p>	<p>judgments made by management. We will challenge assumptions and consider the reasonableness and indicators of bias which could result in material misstatement due to fraud.</p> <ul style="list-style-type: none"> Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.

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

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

Going concern

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

Management responsibility

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

Auditor responsibility

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

Materiality

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

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

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

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

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

Charitable trusts materiality

	Overall materiality (£)	Performance materiality (£)	Trivial threshold (£)
Settlement Trusts			
Ladybank	493	370	25
Kingskettle	125	94	6
Kilconquhar	364	273	18
Freuchie and Area	381	285	19
Falkland	184	138	9
Crail	5,396	4,047	270
Cupar	3,286	2,465	164
Auchtermuchty	712	534	36
St Monans	2,686	2,014	134
Elie	932	699	47
Newburgh	4,308	3,231	215
Anstruther & Cellardyke	9,405	7,054	470
St Andrews	6,740	5,055	337
Dunfermline	4,863	3,648	243
Leslie	132	99	7
Collessie	142	107	7
Tayport	663	497	33
Pittenweem	1,123	843	56
Leven	572	429	29
Kennoway	63	47	3
Buckhaven and Methil	34	26	2
Burntisland	1,323	993	66
Kirkcaldy	11,108	8,331	555
Kinghorn	1,618	1,213	81
Auchtertool	50	37	2
Culross	242	182	12
Limekilns	228	171	11
Kincardine	1,695	1,271	85
Lochgelly	1,138	853	57
Ballingry	632	474	32
Other Trusts			
Waugh & Wharrie Bequest	139	104	7
Adam Smith / Gow / Beveridge Bequest	572	429	29
A. A. Wilkie Trust - Children	7	5	1

	Overall materiality (£)	Performance materiality (£)	Trivial threshold (£)
Fl. Lawsons Executry	50	37	2
Raemore Mort. K/L	164	123	8
Frances Lawson's Bequest	71	53	4
Ogilvy Dalgleish Mortification	118	89	6
Macintosh Bequest	51	38	3
B.F. Nisbet's Trust & Garden	396	297	20
Thomas S. Greig's Bequest	1,015	761	51
Thomson Bequest and Laing Library	1,274	956	64
Bell Fund / Good Templars Fund	14,777	11,082	739
Thomas Ireland's Trust	219	164	11

Materiality

Overall materiality: our assessment is based on approximately 5% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the charitable trust.

Performance materiality: Using our professional judgment we have calculated performance materiality at approximately 75% of overall materiality.

Trivial threshold: 5% of overall materiality for the financial statements.

Audit management team and logistics

Audit management team

Our audit management team will be as follows:

Role	Name	Contact details
Engagement Lead	Karen Jones	karen.jones@azets.co.uk
Engagement Manager	Andrew Ferguson	andrew.ferguson@azets.co.uk
Engagement Manager	Amy Hughes	amy.hughes@azets.co.uk

Timetable

Audit work/ output	Target month/s	Standards, Audit & Risk Committee	Deadline
Planning and risk assessment	March	N/A	N/A
Audit plan	March	23 April 2026	31 March 2026
Interim audit	March - April	N/A	N/A
Final audit	July - September	N/A	N/A
Independent Auditor's Report	September	30 September 2026	30 September 2026
Annual Report to the Council and the Controller of Audit	September	30 September 2026	30 September 2026
Report to those charged with governance relating to the charitable trusts	September	30 September 2026	30 September 2026

Audit work/ output	Target month/s	Standards, Audit & Risk Committee	Deadline
Grant claims and returns: <ul style="list-style-type: none"> • Non domestic rate income return (NDRI) • Housing benefit subsidy claim (HB) • Whole of Government Accounts (WGA) return 	TBC	N/A	TBC

We are engaging with the Council to ensure these target dates are met.

Our expectations and requirements

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

- Unaudited annual accounts, of good quality, submitted to us no later than 30 June, in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed in advance to ensure clarity over our expectations.
- Ensuring staff are available and on site (as agreed) during the period of the audit.
- Prompt and sufficient responses to audit queries.

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

Independence, objectivity and other services provided

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements we confirm that there are no facts or matters that impact on our integrity, objectivity and independence as auditors, other than as set out below, that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

- Non-audit services: No non audit services are provided by Azets to the Council.
- Contingent fees: No contingent fee arrangements are in place for any services provided
- Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff.
- Relationships: Other than the disclosure noted below, we have no other relationships with the Council, its elected members, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a elected member, or in a senior management role covering financial, accounting or control related areas.

Other threats and safeguards

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

Other threats to objectivity and independence	Safeguard implemented
An Azets employee's father is a senior employee at NHS Fife and has a Non-Executive Director role at Fife Coast & Countryside Trust. Their employment with Azets ceased during the 2025/26 year but before audit work for this period commenced.	We confirm that we implemented internal safeguards to ensure this employee had no involvement in our audit work and that no members of staff working on the audit discussed any aspects of the audit with them.

Audit Fees

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

Audit fees are reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2025/26 audits) have been developed recognising the difficult financial environment and the challenges facing public services, and public audit's role in helping meet them.

An efficient and effective audit requires a strong partnership where audited bodies and appointed auditors work together to deliver their respective statutory responsibilities for accounts and audit. The expected fees assume that effective partnership working is in place.

The overall increase in fees for 2025/26 annual audits is 4.3%.

The audit fee assumes that the body has:

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

As auditors we negotiate a fee with the Council during the planning process. The fee may be varied above the expected fee level to reflect the circumstances and local risks within the body.

For 2025/26, we propose setting the audit fee above the expected fee level. We propose setting the 2025/26 audit fee above the expected fee to reflect the following areas of work:

	Fee
Changes to auditing standards have increased the complexity and volume of audit work required to carry out audits in line with these standards. In 2022/23, auditing standards (ISA 240, ISA 315) relating to risk assessment came into effect which substantially changed the approach auditors take to risk assessment and the resultant audit procedures. These standards have an ongoing impact upon the level and detail of work required to perform an ISA compliant audit.	£10,000

	Fee
Dealing with accounting queries which arise during the financial year, including consultation on asset valuations and the change in the CIPFA Code requirements on asset valuations for 2025/26 (identified as a significant risk area).	£16,000
Ongoing development of the Council's performance management arrangements, the Council's implementation and compliance with the Statutory Performance Information Direction 2024 (effective from 2025/26) and reporting on our best value areas of focus for 2025/26.	£15,000
Ongoing developments of the Council's service concession arrangement models (identified as an other risk area).	£10,000

Fee element	2025/26	2024/25
Auditor remuneration (expected fee level)	£409,510	£394,520
Auditor remuneration (above expected fee level for risk areas noted above)	£51,000	£52,950
Pooled costs	£14,120	£9,910
Contribution to Performance audit and Best Value work (PABV) costs	£124,490	£122,130
Sectoral cap adjustment	£143,320	£136,130
Total fee	£742,440	£715,640

We will take account of the risk exposure of the Council and the management assurances in place. We assume receipt of the draft working papers at the outset of our final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work.

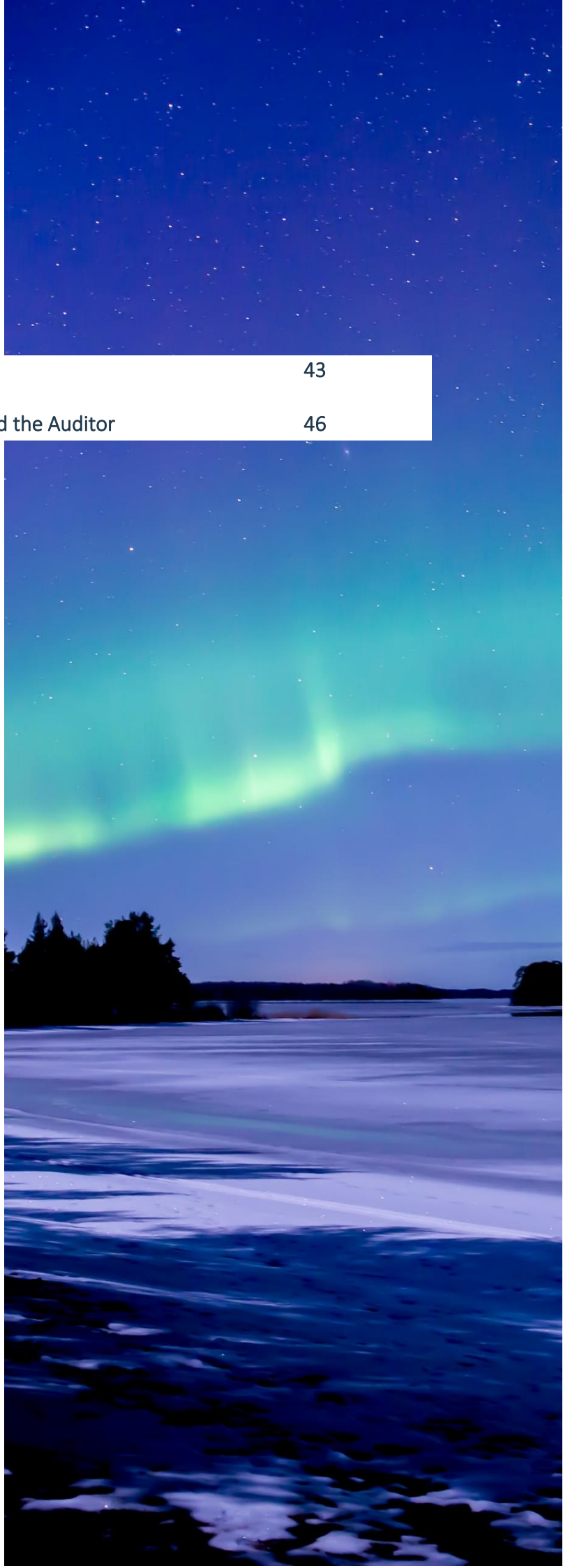
An additional fee will be required in relation to any other significant work not within our planned audit activity.

Audit fee – Fife Council Charitable Trusts

The audit fee in the table above does not include the cost of auditing charitable trust funds. We propose setting the audit fee for the audit of the charitable trusts at £13,525 (2024/25; £12,965) which represents an increase of 4.3% in line with Audit Scotland approach outlined above.

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Appendix 1: Materiality

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

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

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

When planning, we make professional judgments about the size of misstatements which we consider to be material, based on our knowledge of the Council, considering factors such as financial stability, expectations of readers and stakeholders, sector developments and financial reporting requirements. In determining materiality we consider the level of misstatement that could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2026 is calculated as follows.

Group and Council Materiality

	Group £million	Council £million
Overall materiality for the financial statements	39.770	39.000
Performance materiality (75% of materiality)	29.827	29.250
Trivial threshold (5% of materiality)	1.988	1.950

Materiality

Our initial assessment is based on approximately 2% of gross expenditure as disclosed in the 2024/25 audited financial statements. We consider this to be the principal consideration for the users of the financial statements when assessing financial performance of both the Group and the Council.

The financial statements are considered to be materially misstated where total errors exceed this value.

	<p>Specific Materiality</p> <p>In addition to the above, we consider any areas for specific lower materiality. In addition to the above, we consider any areas for specific lower materiality. We apply separate materiality levels to Common Good (£13million) and the Non-Domestic Rate Income Account (£4.558million).</p>
<p>Performance materiality</p>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
<p>Trivial threshold</p>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>Individual errors above this threshold are communicated to those charged with governance.</p>

Common Good Materiality

	Common Good Fund £million
Overall materiality for the financial statements	13.000
Performance materiality (75% of materiality)	9.000
Trivial threshold (5% of materiality)	0.650
<p>Materiality</p>	<p>Overall materiality: our assessment is based on approximately 5% of total assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the Common Good Fund.</p> <p>Performance materiality: Using our professional judgment we have calculated performance materiality at approximately 75% of overall materiality.</p> <p>Trivial threshold: 5% of overall materiality for the financial statements.</p>

Non-Domestic Rate Income Account Materiality

	Non-Domestic Rate Income Account £million
Overall materiality for the financial statements	4.558
Performance materiality (75% of materiality)	3.418
Trivial threshold (5% of materiality)	0.227
Materiality	<p>Overall materiality: our assessment is based on approximately 2% of gross rates levied. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the Non-Domestic Rate Income Account</p> <p>Performance materiality: Using our professional judgment we have calculated performance materiality at approximately 75% of overall materiality.</p> <p>Trivial threshold: 5% of overall materiality for the financial statements.</p>

Qualitative Considerations

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

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

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

Appendix 2: Responsibilities of the Council and the Auditor

Council responsibilities

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

Area	Council responsibilities
Corporate governance	<p>The Council is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>The Council has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority; and • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. <p>Management commentaries should be fair, balanced and understandable. Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial</p>

Area	Council responsibilities
	<p>reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The Council is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
Standards of conduct for prevention and detection of fraud and error	<p>The Council is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.</p>
Financial position	<p>The Council is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best value	<p>The Council has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the Council is required to maintain an appropriate balance among:</p> <ul style="list-style-type: none"> • The quality of its performance of its functions. • The cost to the Council of that performance. • The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis. <p>In maintaining that balance, the Council shall have regard to:</p>

Area	Council responsibilities
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- Efficiency
- Effectiveness
- Economy
- The need to meet the equal opportunity requirements.

The Council should discharge its duties in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality.

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

The Accounts Commission, Controller of Audit and Audit Scotland

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

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

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

Auditor responsibilities

Code of Audit Practice

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

The Code outlines the responsibilities of external auditors and it is a condition of our appointment that we follow it.

Our responsibilities

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

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

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

Wider scope audit work

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

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

Financial management

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



Auditor considerations

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

Financial sustainability

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



Auditor considerations

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

Vision, leadership and governance

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



Auditor considerations

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

Use of resources to improve outcomes



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

Auditor considerations

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

Best Value

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

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

Audit quality

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

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2024/25 | Audit Scotland](#)



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Moving forward with confidence

