Annual Audit Plan

East Dunbartonshire Council – Year ending 31 March 2025

May 2026

Audit and Risk Management Committee

East Dunbartonshire Council
12 Strathkelvin Place
Kirkintilloch
G66 1TJ

29 May 2026

Forvis Mazars

100 Queen Street
Glasgow
G1 3DN

Dear Audit and Risk Management Committee Members,

Annual Audit Plan – Year ending 31 March 2025

We are pleased to present our Annual Audit Plan for East Dunbartonshire Council for the year ending 31 March 2025. This report summarises our audit approach, including the significant audit risks and areas of key judgement we have identified, and provides details of our audit team. In addition, as it is a fundamental requirement that an auditor is, and is seen to be, independent of an audited entity, the section of the report titled '*Confirmation of our independence*' summarises our considerations and conclusions on our independence as auditors.

Two-way communication with you is key to a successful audit and is important in:

- Reaching a mutual understanding of the scope of the audit and our respective responsibilities;
- Sharing information to assist each of us to fulfil our respective responsibilities;
- Providing you with constructive observations arising during the audit process; and
- Ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance, and other risks facing East Dunbartonshire Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, this report, which has been prepared following our initial planning discussions with management, facilitates a discussion with you on our audit approach. We welcome any questions, concerns, or input you may have on our approach or role as auditor.

Annual Audit Plan – Year ending 31 March 2025 (continued)

This report also contains appendices that outline our key communications with you during the audit, and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me.

This document will be presented at the Audit and Risk Management Committee meeting on 11 June 2026. If you would like to discuss any matters in more detail, please contact me on 0781 635 4994.

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code") and for the sole benefit of the Audit and Risk Management Committee. Except where required by law or regulation, it should not be used, quoted or made available to any other parties without our prior written consent.

Yours faithfully,

T. Reid

Tom Reid

Forvis Mazars

Forvis Mazars LLP – 100 Queen Street, Glasgow, G1 3DN; Tel: +44 141 227 2400; Fax: +44 141 227 2401 – www.forvismazars.com/uk

Contents

This document is to be regarded as confidential to East Dunbartonshire Council. It has been prepared for the sole use of the Audit and Risk Management Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

01

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of East Dunbartonshire Council and its Group for the year to 31 March 2025. The scope of our engagement is set out in the Code of Audit Practice, issued by the Auditor General and the Accounts Commission available from the Audit Scotland website: [Code of audit practice | Audit Scotland (audit-scotland.gov.uk)](audit-scotland.gov.uk). Our responsibilities are principally derived from the Local Government (Scotland) Act 1973 (the 1973 Act) and the Code of Audit Practice, as outlined below and overleaf.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with applicable law and UK adopted international accounting standards as interpreted and adopted by the Code of Practice on Local Authority Accounting un the United Kingdom 2024/25.

Our audit does not relieve management or the Audit and Risk Management Committee, as Those Charged With Governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of the Council's ability to continue as a going concern. As auditors, we are required to obtain sufficient, appropriate audit evidence regarding, and conclude on:

a) whether a material uncertainty related to going concern exists, and

b) the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error, and non-compliance with law or regulations rests with both you and management. This includes establishing and maintaining internal controls over asset protection, compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud, we are required to inquire of you, key management personnel and internal audit, on their knowledge of instances of fraud, and their views on the risks of fraud and on internal controls that mitigate those risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Engagement and responsibilities summary (continued)

Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Council's internal control.

Wider reporting

We report to the National Audit Office on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. The level of auditor assurance required depends on monetary thresholds set by HM Treasury.

Wider scope and Best Value

We are also responsible for reviewing and reporting on the wider scope arrangements that the Council has in place and its arrangements to secure Best Value. We discuss our approach to wider scope and Best Value work further in the *'Wider scope and Best Value'* section of this report.

02

Your audit engagement team

Your audit team

Tom Reid

Engagement Director

Email: tom.reid@mazars.co.uk

Telephone: +44 (0)781 635 4994

Cathy Smith

Engagement Senior Manager

Email: cathy.smith@mazars.co.uk

Telephone: +44 (0)748 352 9762

Ewan Patterson

Job leader

Email: ewan.patterson@mazars.co.uk

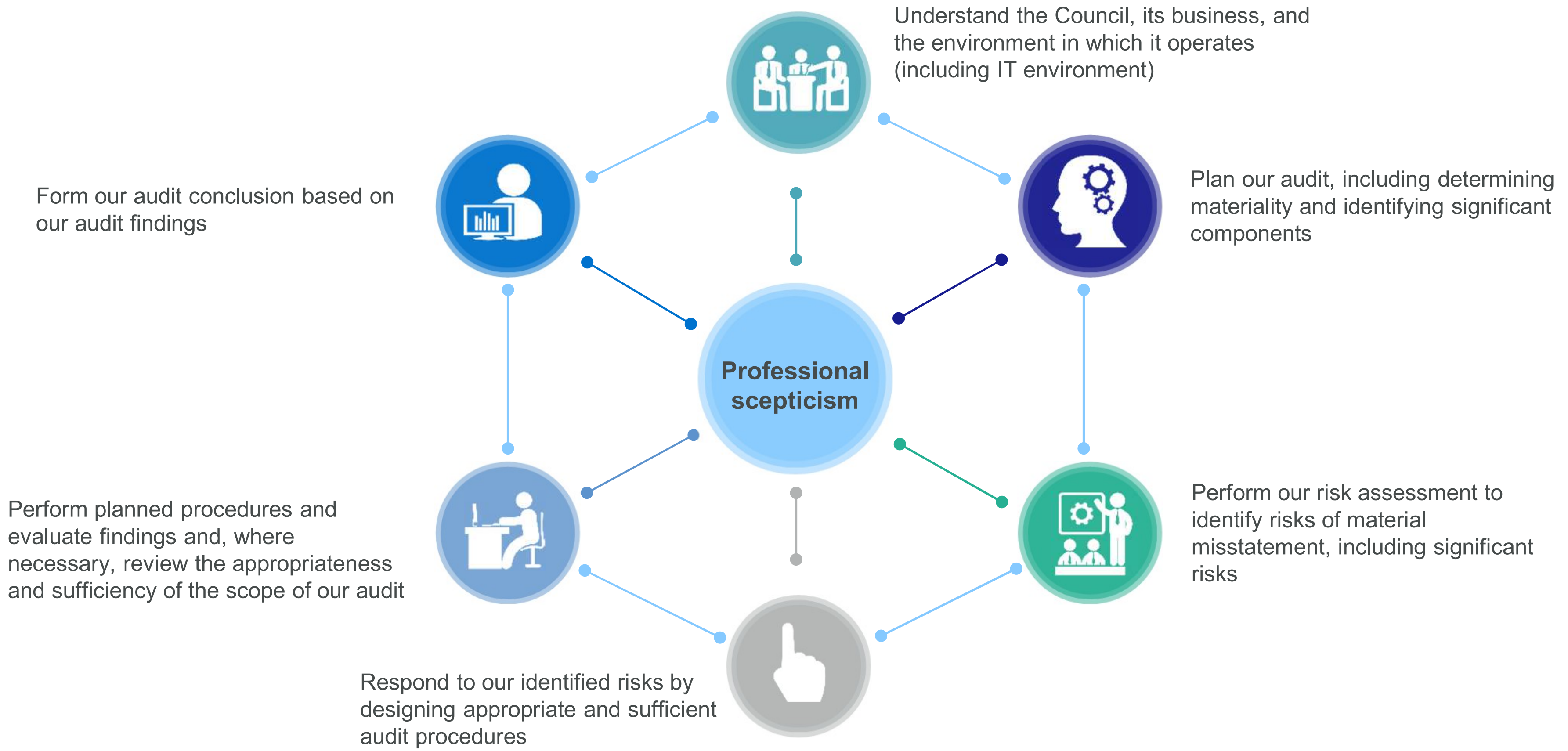
Telephone: +44 (0)7816 209 453

03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Risk-based approach



Audit scope, approach, and timeline (continued)

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit methodology, and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations, or areas found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit has been planned and will be performed to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in the *'Materiality and misstatements'* section of this report.

The diagram on the next page outlines the procedures we perform at the different stages of our audit. We have also provided, later in this report, a table setting out the procedures we perform for the significant financial statement areas.

Audit scope, approach, and timeline (continued)

Management’s and our experts

Management makes use of experts in specific areas when preparing East Dunbartonshire Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management s expert	Our expert
Defined benefit pension asset/ liability	Hymans Robertson provides actuarial advice to Glasgow City Council on behalf of the authorities within the Strathclyde Pension Fund as well as services to the Council through the preparation of the IAS19 report used for the pensions account disclosures.	We make use of PwC actuarial services who are commissioned by the National Audit Office to review the national analysis of pension trends and assumptions of various Local Government Pension Scheme actuaries.
Property, plant and equipment	Newmark (formerly Gerald Eve) provide valuation services to the Council in relation to its property, plant and equipment.	For 2024/25 we have concluded that no auditor’s expert is required.
Financial instruments, Public Private Partnership (PPP) and lease liabilities/Right of use (ROU) assets	MUFG (formerly Link Asset Services) provides support to the Council in valuing their Public Private Partnership contracts and their lease liabilities/right of use assets under IFRS 16.	For 2024/25 we have concluded that no auditor’s expert is required.

Audit scope, approach, and timeline (continued)

Planning and risk assessment
27 April 03 June

- Planning our visit and developing our understanding of the entity
- Documenting systems and control and performing walkthroughs
- Risk identification and assessment
- Considering proposed accounting policies and accounting treatments
- Developing our audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review
- Determination of materiality

Interim
27 April 03 June

- Documenting systems and controls
- Performing walkthroughs
- IT general controls testing
- Reassessment of our audit strategy (and revising if necessary)
- Early substantive testing of transactions

Fieldwork
27 July 16 October

- Executing our strategy, starting with significant risks and other higher-risk areas
- Receiving and reviewing the draft financial statements

Communication
w/c 19 October

- Communicating progress and any issues arising
- Clearance meeting

Completion
19 October 30 October

- Final review of financial statements, and disclosure checklist
- Final Director review
- Agreeing the content of the letter of representation
- Preparing our auditor's report
- Reporting to the Audit and Risk Management Committee
- Subsequent events procedures
- Signing our auditor's report

Audit scope, approach, and timeline (continued)

Audit approach for significant financial statement areas

Our audit approach on significant financial statement areas is set out below.

Financial statement area	Significant risk	Key judgement area or enhanced risk	Testing of controls	Substantive procedures	Comments
Employee benefits expenditure	No	No	No	Yes	
Other service expenses	No	No	No	Yes	
Depreciation, amortisation and impairment	No	No	No	Yes	
Interest payments	No	No	No	Yes	
Fees, charges and other service income	No	No	No	Yes	
Income from council tax and non-domestic rates and the council tax and NDR income accounts	No	No	No	Yes	
Government grants and contributions	No	No	No	Yes	
Property, plant and equipment	Yes	No	No	Yes	Please see page 27 for details of our significant risk considerations.
Short-term debtors	No	No	No	Yes	
Short-term creditors	No	No	No	Yes	
Capital grants received in advance	No	No	No	Yes	
Cash and cash equivalents	No	No	No	Yes	
Short and long-term borrowing	No	No	No	Yes	

Audit scope, approach, and timeline (continued)

Audit approach for significant financial statement areas

Our audit approach on significant financial statement areas is set out below.

Financial statement area	Significant risk	Key judgement area or enhanced risk	Testing of controls	Substantive procedures	Comments
Other long-term liabilities (PPP)	Yes	No	No	Yes	Please see page 30 for details of our significant risk considerations.
Other long-term liabilities (pensions)	Yes	No	No	Yes	Please see page 29 for details of our significant risk considerations.
Right of use assets/lease liabilities	No	No	No	Yes	
Reserves/MIRS	No	No	No	Yes	
Cash flow statement	No	No	No	Yes	
Financial instruments	No	No	No	Yes	
Related parties	No	No	No	Yes	
Housing revenue account	No	No	No	Yes	
Contingent assets and liabilities	No	No	No	Yes	
Provisions	No	No	No	Yes	
Housing revenue account	No	No	No	Yes	

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Audit scope, approach, and timeline (continued)

Group audit approach

The preliminary scope of our group audit is based on our analysis of the risks we have identified at group level. When scoping our audit, we have considered quantitative criteria (the contribution of each of the group's consolidated components to the group financial statements); qualitative criteria (the risks of material misstatement of the group financial statements that consolidated components may present individually at component level); and we have assessed the risk of material misstatement across the group's consolidated components in aggregate.

The nature and extent of audit work we plan to perform on the consolidated components is set out below.

Component name	% of Group revenues	% of Group total assets	Location	Auditor	Scope
East Dunbartonshire Council	97%	96%	East Dunbartonshire, Scotland	Forvis Mazars	An audit of the financial information
East Dunbartonshire Leisure & Culture Trust	3%	<1%	East Dunbartonshire, Scotland	Wbg (Audit) Limited	Not in scope
Mugdock Country Park Joint Management Committee	<1%	<1%	Milngavie, Scotland	Forvis Mazars	Not in scope
East Dunbartonshire Council Trust Fund and Common Good	<1%	<1%	East Dunbartonshire, Scotland	Forvis Mazars	Not in scope
East Dunbartonshire Integration Joint Board	n/a	3%	East Dunbartonshire, Scotland	Forvis Mazars	An audit of one or more account balances, classes of transactions or disclosures
Dunbartonshire & Argyll and Bute Valuation Joint Board	n/a	<1%	Clydebank, Scotland	Forvis Mazars	Not in scope

Audit scope, approach, and timeline (continued)

Audit of trusts registered as Scottish charities

The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The 2006 Regulations require charities to prepare annual accounts and an auditor to prepare a report to the charity trustees where any legislation requires an audit.

The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a Council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the Council are sole trustees.

Members of the Council are the sole trustees for two trusts registered as Scottish charities, with total assets of £981,000. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

We have not identified any significant risks, other than the risk of management override of controls which we have also identified as a risk for the Council's annual accounts, for the financial statements of the Council's charitable trusts.

05

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit and Risk Management Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements (continued)

Materiality (continued)

For both the consolidated financial statements, and the single entity financial statements, we consider that gross provision of services expenditure is the key focus of users of the financial statements. We have therefore determined our initial materiality levels using gross provision of services expenditure as the benchmark. As the 2023/24 financial statements have not yet been finalised, we have used the figures from the draft financial statements for determining materiality.

We expect to set a materiality of 2% of the gross provision of services expenditure for both the consolidated financial statements and the single-entity.

As set out in the tables alongside, based on currently available information, from the 2023/24 draft financial statements, we anticipate the group overall materiality for the year ended 31 March 2025 to be in the region of £11.279m (£11.279m in the prior year), and performance materiality to be in the region of £7.332m (£7.332m in the prior year).

For the single-entity, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £11.199m (£11.199m in the prior year), and performance materiality to be in the region of £7.279m (£7.279m in the prior year).

In determining the overall materiality levels, we made the following significant judgements;

- that the main users of the financial statements are the Scottish Government, other Local Authorities, Regulators, Elected Members, Local Communities, and other Stakeholders;
- that the primary aggregate that users tend to focus on is gross revenue expenditure at surplus/deficit level, as it reflects the extent of services delivered by the Council;
- that users of the financial statements and decision makers (the Council, Audit and Risk Management Committee and Scottish Government) have an understanding of the inherent uncertainties around accounting estimates and judgements;
- that setting 2% of the chosen benchmark is consistent with prior period and as part of our audit, we have gained an understanding that the Council has a well established and experienced finance team capable of applying the relevant accounting standards; and
- that Audit and Risk Management Committee members demonstrate an ability to scrutinise financial information at a high level.

As set out in the tables overleaf, for the Council's Charitable Trust, we anticipate overall materiality for the year ended 31 March 2025 to be in the region of £19,624 (£19,426 in the prior year), and performance materiality to be in the region of £15,699 (£15,541 in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Group financial statements

	2024/25 £ 000s	2023/24 £ 000s
Overall materiality	11,279	11,279
Performance materiality	7,332	7,332
Clearly trivial	338	338

Materiality and misstatements (continued)

Materiality (continued)

Council's single-entity financial statements

	2024/25 £ 000s	2023/24 £ 000s
Overall materiality	11,199	11,199
Performance materiality	7,279	7,279
Clearly trivial	335	336
Remuneration report disclosures	£1,000 for senior councillors and senior employees' remuneration and pensions benefits. 1 banding for other employees' remuneration. £50,000 for exit packages.	

East Dunbartonshire Council's Charitable Trusts single-entity financial statements

	2024/25 £	2023/24 £
Overall materiality	19,624	19,426
Performance materiality	15,699	15,541
Clearly trivial	588	583

Materiality and misstatements (continued)

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit and Risk Management Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £335,000, based on 3% of overall materiality. If you have any queries about this, please raise these with Tom Reid (contact information can be found on page 9).

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit and Risk Management Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on the financial statements and on our audit opinion.

Misstatements also cover qualitative misstatements and include quantitative and qualitative misstatements and omissions relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit and Risk Management Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

04

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Definitions

Following the risk assessment approach set out in the *'Audit scope, approach, and timeline'* section, we have identified the risks of material misstatement in the financial statements. These risks are categorised as significant, enhanced, or standard. The definitions of these risk ratings are set out below.

Risk Level	Definition
Significant	A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.
Enhanced	An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to: • Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and • Risks relating to other assertions and arising from significant events or transactions that occurred during the period.
Standard	A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Significant risks and other key judgement areas (continued)

Audit risks and planned responses

In this section, we have set out the risks that we deem to be significant and enhanced, and our planned response. An audit is a dynamic process, and should we change our view of risk and/ or our approach to address those risks during our audit, we will report this to the Audit and Risk Management Committee.

Significant risks

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
1	Management override of controls (Group and Council)	Yes	No	No	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.	In line with our methodology, we plan to address the management override of controls risk through performing audit work over: • accounting estimates: by evaluating the methods and assumptions used by management to develop the estimate; • journal entries: testing journals that meet our fraud risk and other adjustments made in preparing the financial statements; and • significant transactions: considering and testing any significant transactions outside the normal course of business or otherwise unusual. For the group, we will review the consolidation adjustments made by officers in preparing the group financial statements.

Significant risks and other key judgement areas (continued)

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Valuation of property, plant and equipment (Council)	No	Yes	Yes	The Council's 2023/24 unaudited accounts show that the Council held land and buildings (including council dwellings) with a net book value of £684.2 million at 31 March 2024. The council has adopted a rolling revaluation model with an external valuer carrying out valuations of land and buildings on a five-year cycle. This may result in individual assets not being revalued for several years. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. Due to the high degree of estimation uncertainty associated with valuations, and the risk of material movement in assets not revalued, we have determined there is a significant risk of material misstatement in this area.	We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings. In addressing the identified risk, we will: • assess the scope and terms of engagement with the Valuer; • assess the competence, skills and objectivity of the Valuer; • assess how management use the Valuer's report to value land and buildings included in the financial statements; • test the accuracy of the data used in valuations; • challenge the Council and Valuer's assumptions and judgements applied in the valuations; • review valuation methodology used, including the appropriateness of the valuation basis; • consider the reasonableness of the valuation by comparing the valuation output with market intelligence; *(continued overleaf)*

Significant risks and other key judgement areas (continued)

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
2	Valuation of property, plant and equipment (Council)					*(continued)* • test a sample of revaluations in the year by agreeing the revaluations recorded in the Annual Accounts to the Valuer's reports. As part of this testing, we will check whether the movements have been accounted for in accordance with the Code; • challenge management's assessment for those assets not subject to valuation in the year; • verify market movements to assess the materiality of potential movement for 2024/25 for those valued on Existing Use Value on a market comparable basis; and • for those valued on a Depreciated Replacement Cost basis, which would be impacted by changes in build costs during the year, we will test management's analysis of changes in the Build Costs Information Service (BCIS) index and assess any decisions management make in this regard.

Significant risks and other key judgement areas (continued)

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
3	Valuation of the defined benefit pension asset/ liability (Council)	No	Yes	Yes	The Council's 2023/24 unaudited accounts show that the Council had a net pension liability of £54.7 million at 31 March 2024. Estimation of the net pension asset or liability depends on several complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.	We will address this risk by reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators (Strathclyde Pension Fund). We will also: • assess the skill, competence and experience of the Fund's actuary; • challenge the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; • carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation. • liaise with the auditors of the Pension Fund to gain assurance that the overall procedures and controls in place at the Pension Fund are operating effectively; • compare assumptions to expected ranges; • review the accuracy and completeness of the membership data used by the actuary in preparation of the Actuary's valuation report; and • agree data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.

Significant risks and other key judgement areas (continued)

Significant risks (continued)

	Risk name	Fraud	Error	Judgement	Risk description	Planned response
3	Liabilities From Service Concession Arrangements (Council)	No	Yes	Yes	The Council has a Public Private Partnership (PPP) contract for the provision of six secondary schools and related facilities. The contracts include the build of the schools as well as their maintenance and provision of related facilities over the period of each contract. The assets used to provide services at the schools are recognised on the Council's Balance Sheet as operational assets and as a finance lease liability. The Council has recognised a liability of £67.150 million for PPP in its 2023/24 draft annual accounts. The Code, in implementing IFRS 16, requires local authorities to remeasure their PPP liabilities as at 1 April 2024. The method of accounting for service concession arrangements can be complex and involves management judgement. There is a risk of material misstatement if the Council does not appropriately account for its service concession arrangements.	In addressing this risk, we will: • update our understanding of the service concession arrangements at the Council; • review the inputs to current financial models to ensure they have been appropriately updated and for any substantial changes; • test material inputs into the model and agree outputs to the financial statements; • review the PPP models for remeasurement calculations or management rationale for not remeasuring the liability in line with IFRS 16; and • review accounting policies and other related disclosures in the financial statements to ensure they are in line with the Code.

Significant risks and other key judgement areas (continued)

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, we would like to seek the Audit and Risk Management Committee's views/ knowledge of the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Council and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to you which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

Internal audit function

We do not expect to use the work of the internal audit function for the purpose of our audit. Nonetheless, we will obtain a copy of the reports issued by internal audit relating to the financial period under audit determine whether any findings will have an impact on our risk assessment and planned audit procedures.

06

Wider scope and Best Value

Wider scope and Best Value

The framework for wider scope work

The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. We are required to form a view on the adequacy of the Council's arrangements in four areas:

1. **Financial management**
2. **Financial sustainability**
3. **Vision, leadership, and governance**
4. **Use of resources to improve outcomes**

Financial management	Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Auditors consider whether the body has effective arrangements to secure sound financial management.
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. Auditors consider the extent to which audited bodies have shown 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 that 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. Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. They also consider the effectiveness of governance arrangements for delivery.
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. Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.

Wider scope and Best Value (continued)

Our approach

Our planned audit work against the four wider scope areas is risk based and proportionate. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses. We will carry out more detailed work where we identify significant risks. Where significant weaknesses are identified we will report these to the Council and make recommendations for improvement. In addition to local risks, we consider challenges that are affecting the public identified,.

Best Value

Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within our annual audit work. We are required to consider the seven Best Value themes which are:

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

We are required to consider the Council's arrangements in respect of the seven Best Value themes to identify any significant risks. Best Value at the Council will be assessed over the period of the audit appointment. Where we identify risks or improvement areas we will plan appropriate coverage over the period of the audit appointment on a risk basis. We have not identified any significant risks planned for coverage in 2024/25. We will report our findings, judgements and improvement actions within our Annual Audit Report.

We will also follow up previously reported Best Value findings to assess the pace and depth of improvement. This work will be integrated into our audit approach, including our work on the wider scope areas.

We will also conduct thematic reviews as directed by the Accounts Commission. In 2024/25 this was on transformation. Our report on the 2024/25 thematic review is expected to be presented to the Audit and Risk Management Committee on 11 June 2026.

At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Council was not included in the second year of the programme which ran from October 2024 to August 2025.

Wider scope and Best Value (continued)

Wider scope risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

Although we have not fully completed our planning and risk assessment work, we have not identified any new wider scope audit risks to date. Those risks which were identified in previous audits are detailed on the following pages. If we identify any new wider scope audit risks as our work progresses, we will report details of them to the Audit and Risk Management Committee on completion of our planning and risk identification work.

Our work to follow-up on previous wider scope recommendations

As part of our 2023/24 audit, we identified wider scope risks in the Council's arrangements. The table below sets out the risks identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

Previously identified risks in arrangements	Relevant reporting criteria	Our 2023/24 recommendations	Planned procedures for 2024/25
1. Capacity of the finance team – Level 1 The Council's finance team has experienced challenges implementing a new financial accounting and reporting system alongside its existing responsibilities. This has resulted in delays in the timetable for preparation of the 2023/24 annual report and accounts, and in responses to audit queries. There is a risk the finance team does not have the capacity to effectively support the Council to meet its statutory duties for budgeting and financial reporting.	Financial management	The Council should review whether the finance team has sufficient capacity to effectively manage its responsibilities.	The Council is in the process of performing a service review which will conclude in June 2026. We will review the outputs from this review.
2. Financial monitoring – Level 2 Compared to prior years, there was less regular General Fund revenue monitoring reports, with only two updates issued in the year. The absence of regular budget monitoring reports limits the ability of elected members to appropriately scrutinise the Council's finances.	Financial management	The Council should increase the frequency of financial performance reporting and monitoring.	We will review the frequency of financial reporting to full Council as part of our wider scope procedures.

Wider scope and Best Value (continued)

Our work to follow-up on previous wider scope recommendations

Previously identified risks in arrangements	Relevant reporting criteria	Our 2023/24 recommendations	Planned procedures for 2024/25
3. Loans Fund reporting – Level 2 Local authorities are required to maintain a Loans Fund. Loans Funds record internal advances made to the General Fund to match capital expenditure financed from external borrowing, and the repayment of those advances. Our audit work considered whether the Council made the necessary charge to the General Fund calculated in line with legislation and relevant guidance issued by the Scottish Government. There is a risk that the Council cannot demonstrate that the Loans Fund is properly operated and its repayment policy is prudent.	Financial management	The Council should ensure its Loans Fund Repayment Policy is regularly, reviewed, updated and presented to Council. This should include all the information required under the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. The Council should also update its accounting records to ensure that the deferred repayment for its 2022/23 Loans Fund holiday is charged to the General Fund in the appropriate year.	We will review the treatment of the loans fund as part of our wider scope procedures.
4. Reserves – Level 2 The Council's General Fund reserves are at the lowest level since 2015. There is a risk that reserves reduce to a point where they do not cover the Council's substantial projected future deficits.	Financial sustainability	The Council should work to identify efficiencies and savings options to reduce its reliance on reserves to balance budgets.	We will review the level of reserves on an ongoing basis throughout the delivery of our wider scope work.

Wider scope and Best Value (continued)

Our work to follow-up on previous wider scope recommendations

Previously identified risks in arrangements	Relevant reporting criteria	Our 2023/24 recommendations	Planned procedures for 2024/25
5. Digital and workforce plans – Level 3 The Council has implemented new workforce and digital plans. Effective workforce planning and use of technology will be crucial to the Council achieving its strategic priorities. There is a risk that the objectives and outcomes of the digital and workforce plans do not effectively support the Council in achieving its strategic priorities.	Vision, leadership and governance	The Council should ensure its workforce and digital plans are aligned with its strategic priorities. It should establish clear monitoring and evaluation to track financial investment, performance outcomes, and overall impact.	We will review the council's workforce and digital plans, and the adequacy of governance arrangements.
6. Review of policy documents – Level 3 The Council has acknowledged that several of its key policy documents have not been reviewed for some time. This increases the risk of legal challenge.	Vision, leadership and governance	The Council should ensure it regularly reviews all policy documents to identify any that require updating.	We will review the latest review date of key policy documents as part of our wider scope work.

Wider scope and Best Value (continued)

Best Value risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the Best Value audit.

Although we have not fully completed our planning and risk assessment work, we have not identified any Best Value audit risks to date. If we identify any Best Value audit risks as our work progresses, we will report details of them to the Audit and Risk Management Committee on completion of our planning and risk identification work.

Our work to follow-up on previous best value recommendations

As part of our 2023/24 audit, we identified Best Value risks in the Council's arrangements. The table below sets out the risks identified, our previous recommendations and the work we intend to carry out as part of our 2024/25 audit.

Previously identified risks in arrangements	Relevant reporting criteria	Our 2023/24 recommendations	Planned procedures for 2024/25
1. Aligning workforce action plans to Business Improvement Plans (BIPs) – Level 3 There is a risk that the Council cannot effectively measure the impact its workforce actions are having on service delivery.	Effective use of resources	The Council should demonstrate the link between its workforce action plans and the BIPs. For example, by aligning workforce actions to relevant BIP key performance indicators. Where possible, the Council should also ensure workforce actions have completion deadlines.	We will review the Council's process for measuring the impact of workforce actions and linkages to BIPs.
2. Employment survey – Level 3 There is a risk that individuals outside the organisation, including members of the public, could submit responses to the employment survey. Additionally, there is no mechanism to prevent multiple submissions by the same individual, which could compromise the validity of the data collected.	Governance and accountability	The Council should review how it operates and promotes its employee survey to improve the response rate and ensure it gathers accurate and meaningful data.	We will review the Council's process for operating its employee survey.

Wider scope and Best Value (continued)

Our work to follow-up on previous best value recommendations

Previously identified risks in arrangements	Relevant reporting criteria	Our 2023/24 recommendations	Planned procedures for 2024/25
3. Performance Development Review (PDR) Completion – Level 2 There is a risk that PDRs are not taking place and not being recorded.	Governance and accountability	The Council should review and identify actions to improve PDR completion rates. It should also consider how to ensure reviews are properly recorded.	We will review any management changes to the PDR process and completion rates

07

Audit fees and other services

Audit fees and other services

Our fees for the audit of East Dunbartonshire Council's financial statements for the year ended 31 March 2025, are outlined below.

At this stage of the audit, we are not planning any divergence from the expected fees set by Audit Scotland.

The 2023/24 audit has not yet fully finalised and therefore the fees for that year have not yet been agreed.

We have not provided any non-audit services to East Dunbartonshire Council during the year.

Fees for work as the Charitable Trusts' appointed auditor

We have set a fee for the audit of the Charitable Trusts' of £10,190 (2023/24 fee was £10,000). We have not provided any non-audit services to the Charitable Trusts in 2024/25.

Services provided to other entities within the Council's group

We provided the external audit of the following entities within the Council's group:

- Dunbartonshire and Argyll and Bute Valuation Joint Board with a total fee of £9,990 (2023/24 fee was £9,774)
- East Dunbartonshire Health & Social Care Partnership with a total fee of £34,000 (2023/24 fee was £33,360)
- Mugdock Country Park with a total fee of £3,900 (2023/24 fee was £3,830).

Area of work	2024 25 Proposed Fee	2023 24 Proposed Fee
Auditor remuneration	£258,030	£247,630
Pooled costs	£6,480	£9,030
Contribution to PABV costs	£63,020	£65,740
Audit support costs	£0	£0
Sectoral cap adjustment	(£1,590)	(£2,570)
Additional work required to review controls and test data migration for new accounting system	n/a	TBC
Additional membership data testing to reflect that the Council's 2023/24 pension liability/surplus will be based on the latest triennial pension fund valuation	n/a	£4,208
Additional fee in relation to significant difficulties faced throughout the audit and the extent of adjustments and misstatements	n/a	TBC
Potential additional fees for additional work required due to the application of accounting standard IFRS 16 (Leases) and auditing standard ISA 600 (Revised) – Audits of Group Financial Statements. See page 30 for details of the audit procedures we plan to perform for IFRS 16 and page 53 for more details on the implications of ISA 600 (Revised).	TBC	n/a
Total fees	**£325,940**	**TBC**

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08

Confirmation of our independence

Confirmation of our independence

Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Revised Ethical Standard.

Compliance

We are not aware of any relationship between Forvis Mazars and East Dunbartonshire Council that, in our professional judgement, may reasonably be thought to impair our independence.

We are independent of East Dunbartonshire Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.

Non-audit and Audit fees

We have set out a summary of the non-audit services provided by Forvis Mazars (with related fees) to East Dunbartonshire Council, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Revised Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with me in the first instance.

Confirmation of our independence

Prior to the provision of any non-audit services, I will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Framework Agreement issued by Audit Scotland available from the Audit Scotland website: **Audit Scotland Framework Agreement (audit-scotland.gov.uk)**. Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.

Any emerging independence threats and associated safeguards we identify or put in place will be communicated to you in our Annual Audit Report.

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

Appendix A: Key communication points

We value communication with you, as a two-way feedback process is at the heart of our client service commitment. ISA (UK) 260 Communication with Those Charged with Governance and ISA (UK) 265 Communicating Deficiencies In Internal Control To Those Charged With Governance And Management specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We aim to present the following reports:

- Our Annual Audit Plan in June 2026;
- Our Annual Audit Report in November 2026 (committee date to be confirmed);
- Our independent auditor's report in November 2026 (committee date to be confirmed); and
- Our Best Value thematic report in June 2026.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Annual Audit Plan

Our responsibilities in relation to the audit of the financial statements;

- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Annual Audit Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 Communication with Those Charged with Governance, ISA (UK) 265 Communicating Deficiencies In Internal Control To Those Charged With Governance And Management and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and Those Charged with Governance.	Annual Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Annual Audit Plan
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Annual Audit Report
With respect to fraud communications: • Inquiries with the Audit and Risk Management Committee to determine whether you have knowledge of any actual, suspected, or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Annual Audit Report and discussion at Audit and Risk Management Committee Audit planning and clearance meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Annual Audit Report

Appendix A: Key communication points (continued)

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Annual Audit Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Council or the Audit and Risk Management Committee in the context of fulfilling their responsibilities.	Annual Audit Report
Significant deficiencies in internal controls identified during the audit.	Annual Audit Report

Appendix A: Key communication points (continued)

<table>
<tr><th>Required communication</th><th>Where addressed</th></tr>
<tr><td>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off)} and inquiry of the Audit and Risk Management Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that the Audit and Risk Management Committee may be aware of.</td><td>Annual Audit Report and the Audit and Risk Management Committee meetings</td></tr>
<tr><td>With respect to going concern, events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:
Whether the events or conditions constitute a material uncertainty;
Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and
The adequacy of related disclosures in the financial statements.</td><td>Annual Audit Report</td></tr>
<tr><td>Communication regarding our system of quality management, compliant with ISQM (UK) 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management:
Ensure there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership
Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities
Identify, review, and update quality risks each quarter, taking into consideration the number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.)
Identify, design, and implement responses as part of the process to strengthen our firm's internal control environment and overall quality
Evaluate responses and remediate control gaps or deficiencies
We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.

The details of our evaluation of our system of quality management as of 31 August 2024, and our conclusion, will be available in our 2023/24 Transparency Report, which will be available on our website by 31 December 2024.</td><td>Annual Audit Plan</td></tr>
</table>

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Appendix A: Key communication points (continued)

Required communication	Where addressed
An overview of the work to be performed at the components of the group and the nature of our involvement in the work to be performed by component auditors.	Annual Audit Plan and Annual Audit Report
Instances where our review of the work of the component auditor gave rise to a concern about the quality of the component auditor's work, and how we addressed that concern.	Annual Audit Report
Any limitations on the scope of the group audit, for example, significant matters related to restrictions on access to people or information.	Annual Audit Plan and Annual Audit Report, as necessary
Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control or others when the fraud resulted in a material misstatement of the group financial statements.	Annual Audit Report and discussion at the Audit and Risk Management Committee meetings, audit planning meetings, and audit clearance meetings

Appendix B: Current year updates, forthcoming accounting & other issues

Applicable for IFRS Reporters

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2023

IFRS 17 *Insurance Contracts* (issued May 2017) and Amendments to IFRS 17 *Insurance Contracts* (Issued June 2020)

- IFRS 17 *Insurance Contracts* (IFRS 17) is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities. The amendments, issued subsequently in June 2020, do not change the fundamental principles of IFRS 17 and are aimed at helping companies implement the standard and make it easier for them to explain their financial performance. The EU has endorsed the adoption of IFRS 17, although with some changes to the version issued by the IASB. In May 2022, the UK Endorsement Board (UKEB) adopted the standard and the associated amendments.

Amendments to IFRS 17 *Insurance Contracts*: Initial Application of IFRS 17 and IFRS 9 (Issued December 2021)

- The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis. The amendments have been UK-adopted and endorsed by the EU.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements: Disclosure of Accounting Policies* (Issued February 2021)

- The amendments set out notable new requirements for accounting policy disclosures that change the requirements for entities to disclose material accounting policy information, rather than significant accounting policies, and not to disclose immaterial accounting policy information, explaining that accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material. Earlier application is permitted. The amendments have been UK-adopted and endorsed by the EU.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (Issued February 2021)

- The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events. Earlier application is permitted. The amendments have been UK-adopted and endorsed by the EU.

Appendix B: Current year updates, forthcoming accounting & other issues (continued)

Applicable for IFRS Reporters

Current and forthcoming accounting issues (continued)

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 *Presentation and Disclosure in Financial Statements* (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

Appendix B: Current year updates, forthcoming accounting & other issues (continued)

International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA UK 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over ‘significant components’ of a group, i.e., a ‘full scope’ audit of a significant component’s financial information relevant to the group financial statements was required. Forvis Mazars defined a ‘significant component’ as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group’s reported profit before tax would be classified as a significant component and a ‘full scope’ audit would be performed over that component’s financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component’s financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component’s financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a ‘non-significant’ component’s financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

Appendix B: Current year updates, forthcoming accounting & other issues (continued)

International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non material component
Any component: i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).	Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.	A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.

Appendix B: Current year updates, forthcoming accounting & other issues (continued)

International Auditing Standard UK 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of ‘component’ - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of ‘engagement team’ - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component’s financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

Contact

Forvis Mazars

Tom Reid
Engagement Director

Email: tom.reid@mazars.co.uk
Telephone: +44 (0)781 635 4994