

Stirling Council

Annual Report to Elected Members and the Controller of Audit for the financial year ended 31 March 2016

12 September 2016



Key messages

During 2015/16 Stirling Council has continued to evolve as a Council. The Priority Based Budgeting process is well established, and linked to the Council's business plan and strategic priorities. The Council were able to identify the additional savings required following the Financial settlement announcement in December 2015 to approve a 2016/17 balanced Budget in February 2016. Like all other Local Authorities, the Council is facing increased financial pressure. They have in place a transformation project, which contains a number of significant service re-design projects and they are looking to achieve a "City Deal" for the area, to further invest in the local economy to bring people and businesses to Stirling. The financial statements process continues to be well managed, with a good first draft of the financial statements, which resulted in minimum changes during the audit process. Similar to prior year, the Council continue to operate an accelerated year-end timetable with our audit substantially completed by end of June 2016. Looking forward, Local Government elections in May 2017 will result in the formation of a new administration, with a number of the Council's current Elected Members not standing for re-election. The newly formed administration will need to continue to seek to transform the Council both in the way it provides services but also to ensure that the Council itself continues to evolve to meet the needs of customers, within a climate of declining financial affordability. Further development on the work of the Community pilots, and exploration of the localities model will continue to see the Council engage with communities.

ISA 260 requirements

We intend to issue an unqualified opinion on the 2015/16 financial statements.

We did not have reason to change our audit plan during the year apart from our materiality calculations to take account of the unaudited 15/16 financial statements. We did not identify any fundamental weakness in the Council's systems of internal control, based on our work undertaken although we did report a number of IT control improvements separately.

We have two un-adjusted differences to report (Appendix A). There were no other adjustments identified but some minor disclosure changes which have been reflected in the final version.

Public Sector Audit impact dimensions

Our external audit work is undertaken in accordance with the Audit Scotland Code of Practice (May 2011). Our annual report is structured to reflect our wider responsibilities under the Code, and is shaped around the 4 Public Sector impact dimensions reflected in Audit Scotland's Corporate Strategy.

Financial management

The Council continues to budget accurately, with the year end broadly in line with the budget set at the start of the financial year.

Significant financial savings were delivered in the year, with £7.1 million savings delivered against a target of £7.2 million.

Un-earmarked reserves have grown by £2.8 million in the year. We note that this has been a conscious decision to build reserves to be used in line with the PBB plans to invest for future transformation plans. Council officers and Elected Members are focused on ensuring that reserves are being used strategically in the context of overall sustainable financial planning and not to fill budget shortfalls and/ or defer key decisions.

The Council's finance team is organised and successfully brought forward the year end process which was already accelerated in 2014-15. This was achieved through a tight year end reporting process. The quality of working papers and initial draft financial statements were very good, and our audit was substantively complete at the end of June 2016.

Financial sustainability

The future financial and service sustainability of all local authorities is an on-going area of discussion, with the Council identifying a cumulative £25.1 million funding gap to 2020 prior to PBB options being explored. Whilst the Council seeks to continue to identify savings through the PBB process, options to generate income will also be needed, particularly as the Council has forecasted a decline in core revenue funding from Scottish Government.

Stirling are part of the 7 Scottish Cities Alliance, and are focusing on attracting external investment, stimulating economic activity, creating jobs and empowering the local community. A £600 million business case submission has been made to the UK Government under the City Deal in the year, and provides a potentially significant opportunity for the Council to transform the local economy.

The Council continues to seek to proactively target a sustainable medium term financial position, and continues to progress the PBB agenda to identify options to make best use of resources to drive future savings.

Governance and transparency

The Council's Annual governance statement is balanced and in line with SORP requirements. On an annual basis the Council has undertaken a review of the effectiveness of its governance arrangements and review of internal controls to support the statement, identifying further areas to be strengthened in 2016/17, including improving business continuity and strengthening programme management.

Shortly after the year end, the Council agreed to streamline the leadership team, moving from 5 Directors to 2. This is an element of a PBB led review of director and management structures and phase 2 will focus on manager and supervisory levels.

We note that there has been at least one Audit Committee quorate issue during the year; and one where there was a relatively late Member substitution. This may have had an impact on the quality of scrutiny undertaken by the Committee and has been highlighted as an area for attention. Furthermore, we note that training sessions provided for Elected Members have not always been well attended and that the content and delivery for future courses should be discussed to ensure that full benefits are received from training in key areas identified by the Elected Members.

No significant matters have been identified by the internal audit team in the year. We note that there is the opportunity to ensure that the scope of internal audit activity remains in line with the key strategic risks facing the Council.

There is also opportunity for Internal Audit to highlight areas where levels of control are higher than expected, allowing opportunities to redirect resources to areas which are currently under-controlled and therefore strengthening the overall control environment recognising resource constraints and service redesign.

We have no concerns around arrangements currently in place to mitigate against fraud and corruption. We note that significant progress has been made against the 2014/15 NFI matches, with all matches now either completed and cleared or passed to other organisations. We highlight that the 2016/17 process will begin in October 2016.

Best value and value for money

A clear performance management framework is in place, which is subject to on-going review and refinement.

The Council has 18 key priorities, with 5 overarching goals and during the year has continued to refine certain performance targets to be more challenging and stretching, reflecting the Council's aim to continuously improve.

During the year monitoring of the single outcome agreement ('SOA') at an overarching level has been limited and this has been recognised by the Council. There are plans in place for 2016/17 to identify specific SOA performance indicators and capture overall performance to date in an annual report.

Mixed performance continues to be reported through statutory performance indicators with 33% recorded in the upper quartile for Scottish local authorities, but 40% in the bottom, including roads maintenance; cost of waste collection and disposal. Performance is reported at each of the relevant service committees.

The importance of community engagement to the Council is clear. The Council continues to invest in understanding and working with local communities as evidenced through the 4 community pilots that were completed during the year. Overall the Council are working to understand better the differing needs of the communities as well as better outlining how the Council can and will support groups at a strategic level.

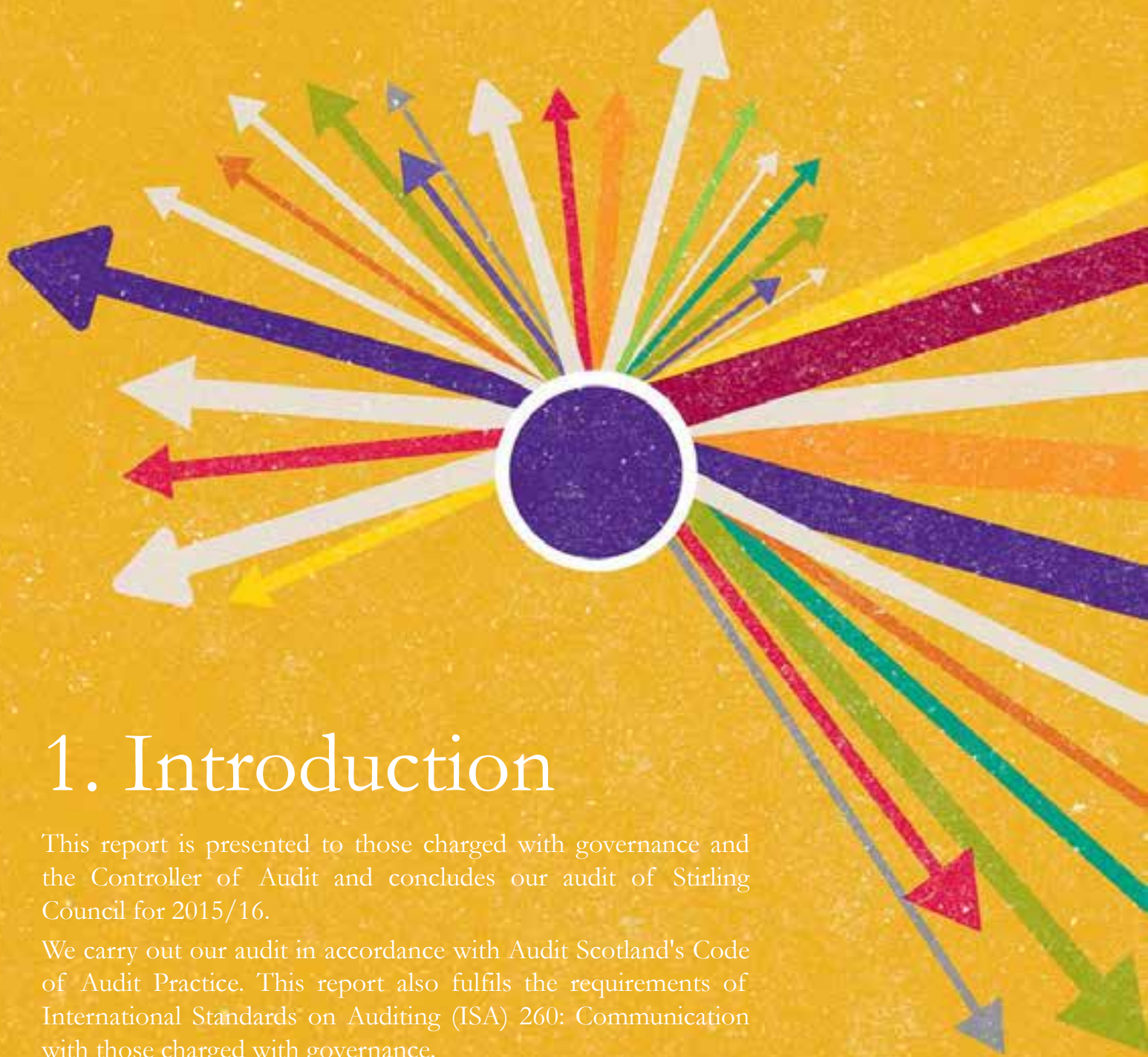
The departure from Shared Service arrangements with Clackmannanshire Council is at an advanced stage, and revised structures and personnel are in place to allow Stirling to operate on a single Council basis post completion. The split will be finalised by 1 April 2017 but both parties are hoping for a slightly earlier unwind date.

Health and Social Care integration between the Council, Clackmannanshire Council and NHS Forth Valley continues to develop. Engagement remains good despite the end of shared services arrangements. The IJB went fully operational on 1 April 2016.

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1. Introduction

This report is presented to those charged with governance and the Controller of Audit and concludes our audit of Stirling Council for 2015/16.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

Introduction

Purpose of this report

Audit Scotland appointed Grant Thornton UK LLP as auditor of the Council for the period 2011/12 to 2015/16. The appointment is made under the Local Government (Scotland) Act 1973

Our annual audit report is addressed to those charged with governance at the Council and the Controller of Audit under our Audit Scotland obligations.

In our report, we summarise our opinion and conclusions on significant issues arising from our external audit for the year ended 31 March 2016.

The Council's responsibilities

It is the Council's responsibility to prepare the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the CIPFA Code)

The Council must:

- prepare financial statements which give a true and fair view of the financial position of the Council and its income and expenditure for the year to 31 March 2016
- maintain proper accounting records which are up to date
- take steps to prevent and detect fraud and other irregularities.

The Council is also responsible for establishing proper arrangements to ensure that:

- public business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for
- economy, efficiency, effectiveness and Best Value are achieved in the use of resources. We note that delivery of best value is a statutory obligation for the Council.

Our responsibilities

We are required to meet the requirements of the Code of Audit Practice ('the Code') May 2011, including consideration of the wider scope of public sector audit.

We provide an opinion on the Financial Statements and consider the consistency of the Annual Governance Statement. Under the Code we also review and report on the governance arrangements as well as wider financial management, value for money and performance considerations

International Standard of Auditing (UK and Ireland) ('ISA') 260: Communication with those charged with governance requires us to communicate audit matters arising from the audit of the financial statements to those charged with governance. This annual report, together with other reports to the Audit Committee throughout the year, discharges our ISA 260 commitments

Acknowledgements

We would like to take this opportunity to record our thanks for the assistance provided by the Chief Financial Officer, Corporate Accounting Team Leader, the Finance Team and all other staff who supported us during the course of our work.



Our responsibilities under the Code of Audit Practice:

Financial statements

- Provide an opinion on:
- whether the financial statements provide a true and fair view of the financial position of the Council
 - whether the financial statements have been properly prepared in accordance with relevant legislation (Code of Practice on Local Authority Accounting in the United Kingdom 2015/16), the applicable accounting framework and other reporting requirements
- Review and report on:
- other information published within the financial statements, including the remuneration report

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks are only those that have come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Corporate governance

- Review and report on the Council's corporate governance arrangements as they relate to:
- the Council's overarching corporate governance arrangements and systems of internal control, including reporting arrangements
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption

Communication of the matters arising from our audit work does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Best value and performance

- The Local Government in Scotland Act 2003 places a statutory duty on the auditors of local government bodies to be satisfied that proper arrangements have been made for securing Best Value and complying with responsibilities relating to community planning
- We are required to review and report on other aspects of the Council's arrangements to manage their performance as they relate to economy, efficiency and effectiveness in the use of resources
- We review and report on the Council's arrangements for preparing and publishing statutory performance information
- In accordance with guidance issued by Audit Scotland, auditors may be requested to participate in a performance audit, an examination of the implications of a particular topic for the Council at a local level or a review of the Council's response to national recommendations. In 2015/16 we have completed a baseline assessment of workforce planning arrangements.



2. ISA 260 communication to those charged with governance



Financial statements overview

Introduction

We have not had to alter or change our audit approach, which we set out in our Audit Plan, which was presented to the Audit Committee on 28 January 2016. However, on receipt of the unaudited financial statements we updated our materiality calculations (see page 10).

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt of final group reporting from PWC for Stirling Development Agency Ltd and Hardie Caldwell for Active Stirling.
- sign off of Housing Benefit and Non Domestic Rates grant claims

Our review of the financial statements

The draft financial statements were of a high standard, easy to read and concise. We identified one audit adjustment (processed) and only minor disclosure changes. The draft financial statements were presented to the Audit Committee on 26 May 2016, well in advance of the 30th June deadline.

We reviewed the narrative elements of the financial statements (including the Management Commentary, Statement of Responsibilities, Annual Governance Statement and Remuneration Report). We review these statements for compliance with recommended CIPFA Code disclosures, for consistency with other areas of the financial statements and our knowledge of the Council.

Financial statements opinion

Our audit identified two unadjusted differences (one impacting both Council and Group financial statements and the other impacting Group only). These are set out in Appendix A.

We intend to issue an unqualified opinion on the financial statements for the financial year ended 31 March 2016.

Grants certification

The grant claim below was certified within the required timescales during the year, with no issues arising:

- Education Maintenance Allowance and Criminal Justice Social Work

The Non Domestic Rates grant work is advanced and we expect to sign in September 2016. The Housing Benefit grant claims will be signed following completion of our audit work in September.

One control point has been raised in relation to NDR unoccupied properties testing where relief was automatically issued despite the tenant not being eligible in three sample items out of 15 tested.

Action plan point 1

In addition, the NDR unoccupied charges testing identified an issue where the wrong relief was issued for one sample item.

Action plan point 2

Whole of Government Accounts

The Council submits a WGA pack for the financial year ended 31 March 2016.

For 2015/16 the Council is below the testing threshold and therefore full audit assurance is not required.

In accordance with the WGA guidance we will complete the required assurance statement and submit that to the National Audit Office (NAO) once this work has been finalised.

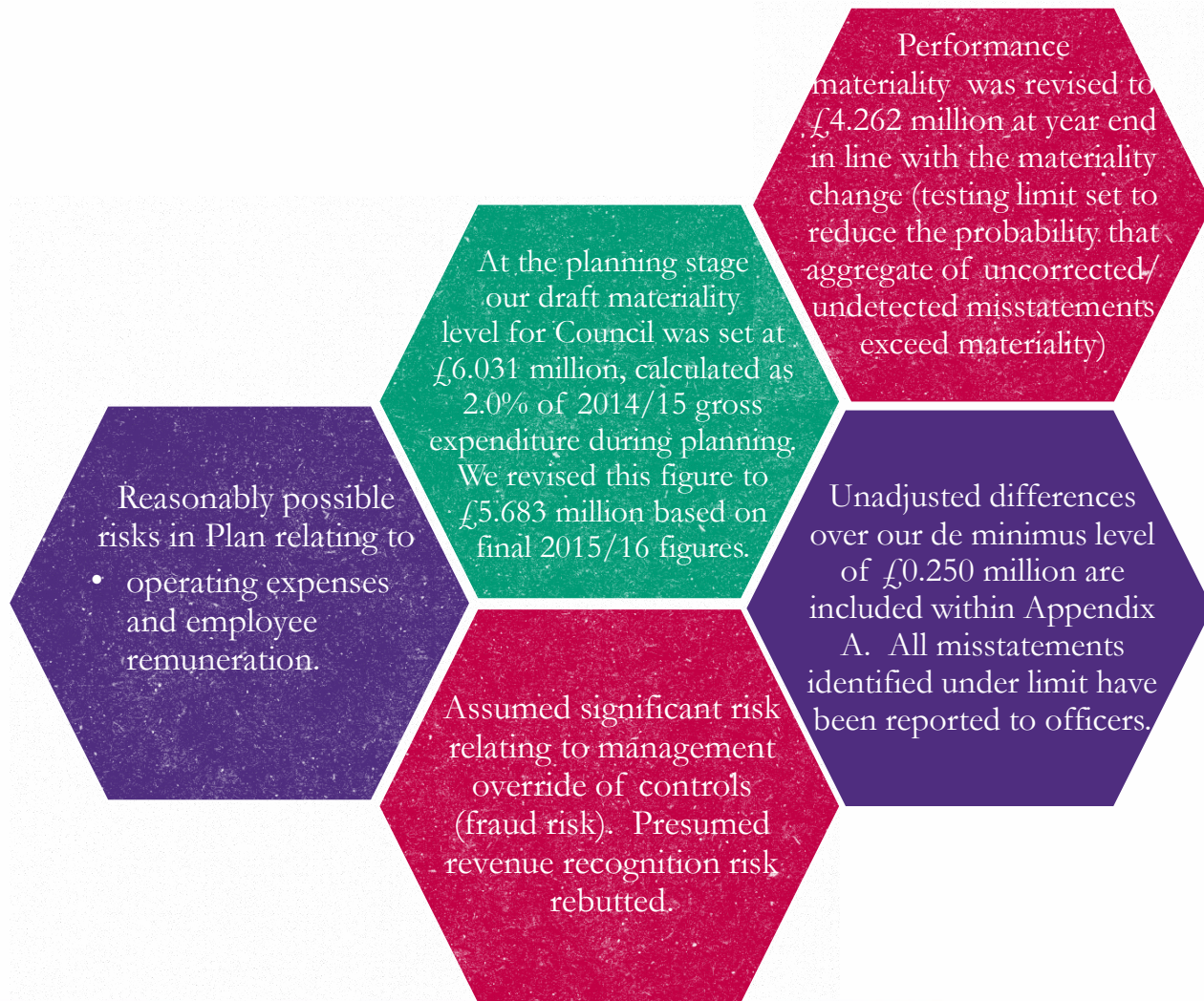


Our audit plan: a reminder

Scope of the Audit

We consider the inherent risks to the Council and how these may result in a material misstatement in the accounts. We identified one significant risk and three reasonably possible risks, which are outlined on pages 11 and 12.

We conduct a range of audit procedures across all balances above performance materiality, including analytical review, agreement to third party confirmations and sample substantive testing.



Change of materiality from Audit Plan

We revised our materiality downwards in the year in line with the reduction in gross expenditure in the 2015/16 unaudited accounts. This resulted in final materiality of £5.683 million and performance materiality of £4.262 million.

Audit findings against significant and reasonably possible risks

Set out below is our response to the significant risks of material misstatement identified in the Audit Plan. There are two presumed significant risks which are applicable to all audits under auditing standards but, as set out in our plan and below, we rebutted the presumed risk around revenue recognition.

Significant Risks identified in our audit plan	Work completed	Assurance gained
<p>1 Management override of controls</p> <p>Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities</p>	<p>We gained assurance through:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management including pension assumptions and property valuation • Testing of journal entries • Review of unusual and/or significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>
<p>2 The revenue cycle includes fraudulent transactions</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we determined the risk of fraud arising from revenue recognition can be rebutted, because:</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, including the Council, mean that all forms of fraud are seen as unacceptable <p>The most significant area of revenues was general grant funding from the Scottish Government totalling £123.5 million (53% of grants and taxation revenues). We have substantively agreed grant funding to confirmation from the Scottish Government.</p> <p>The remainder is made up of £45.4 million of NDR redistributions (agreed to funding correspondence and cash receipts), £41.6 million of council tax income (tested analytically and reconciled to Council Tax system) and £22.7 million capital grants (sample tested to grant agreements and receipt).</p> <p>In addition we have conducted judgemental sampling of fees, charges and other income to trace to cash receipts</p>	<p>Our work confirmed that revenue had been recognised appropriately in the financial statements</p>

Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty



Set out below is our response to the other 'reasonably possible' risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of Reasonably Possible Risks	Work completed	Assurance gained
Operating expenses	<p>Creditors understated or not recorded in the correct period</p> <ul style="list-style-type: none"> Stirling Council is responsible for the delivery of a range of services to the local area. In 2015/16 the cost of delivering these services was £284.1 million Purchasing is decentralised across service lines with the budgetary responsibility with the senior managers to ensure monies are recorded correctly 	<p>We gained assurance over the risk through:</p> <ul style="list-style-type: none"> Review and walkthrough of key processes and controls around creditors cycle Reconciliation of the creditors system to the general ledger and financial statements Statistical sample of post year end transactions to test for unrecorded liabilities 	<p>We gained sufficient assurance over the operating expenditure control environment and balances to conclude that there is not a material understatement of creditors</p>
Employee remuneration	<p>Employee remuneration accruals understated:</p> <ul style="list-style-type: none"> Employee costs accounted for 45% of gross expenditure in 2015/16. There are a large number of transactions processed throughout the year and the Council relies on numerous controls including monthly reconciliations and segregated duties when compiling employee remuneration batches to ensure that the employee costs are recorded correctly in the financial statements 	<p>We gained assurance over the risk through:</p> <ul style="list-style-type: none"> Review and walkthrough of the processes and controls in operation for payment of staff Substantive testing of employee remuneration accruals at the year end Testing of sample of employees to the HR system for existence, recalculation of employer costs for accuracy Analytical review of employee remuneration in comparison to expectations Review of the relevant disclosures relating to staff costs within the financial statements including remuneration report 	<p>We gained sufficient assurance over employee remuneration processes to conclude that there are no material misstatements</p>

"Reasonably possible risks are, in the auditor's judgement, other risk areas which they have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work"



Accounting estimates and significant judgements

Accounting area	Summary of policy	Commentary	Our assessment
Revenue recognition	<p>Grants receivable: Government grants, third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments</p> <p>Sale of goods: Recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits will flow to the Council</p> <p>Provision of Services: Recognised when the Council can measure reliably the percentage of the completion of the transaction</p> <p>Council Tax and Non Domestic Rates: Revenue from Council Tax and Non Domestic Rates is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably.</p>	<p>The revenue recognition policies are appropriate under the CIPFA Code of Practice on Local Authority Accounting.</p> <p>The disclosure in the draft accounts was found to be reasonable and it was noted that policies for Council Tax or Non-Domestic Rates are now incorporated in line with prior year discussions.</p>	●
Property, plant and equipment	<p>The Code permits a class of assets to be revalued on a rolling basis, providing the revaluation of the class of assets is completed within a short period and the revaluations are kept up to date. We would expect this short period to be within 1 financial year. The Council's current approach, as set out in the policy, doesn't fully meet code requirements.</p> <p>During 2015-16, £278.8 million (69%) of the other land and buildings total was revalued, with the majority (£219.6 million) being related to the revaluation of primary and secondary schools.</p>	<p>The revaluation policies are in line with requirements.</p> <p>Disclosure within note 13 has been appropriately enhanced in 2015-16.</p> <p>The Council has considered movements in the market to establish whether there has been a significant movement in value and concluded that valuations are materially correct.</p>	●

Assessment

- Material accounting policy which could potentially attract attention from stakeholders
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Accounting area	Summary of policy	Commentary	Our assessment
Provisions	<p>The Council recognises provisions where an event has taken place that gives the Council a legal or constructive obligation that will probably require a settlement by transfer of economic benefits or service potential</p> <p>Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation</p>	<p>We are satisfied the policy is appropriate under the CIPFA Code of Practice on Local Authority Accounting.</p> <p>The Council has recognised provisions for two items:</p> <ul style="list-style-type: none"> - insurance provision (£1.131 million) - debtor provisions (£10.44 million) <p>We have reviewed the reasonableness of management's judgements in line with our knowledge of the Council</p> <p>We have conducted a detailed review of the debtors provision, including re-performance of calculations and review of assumptions</p> <p>We are satisfied the provisions have been disclosed appropriately</p>	●
Pension fund valuations and liabilities	<p>In accordance with International Accounting Standards the Council is required to account for retirement benefits when it is committed to giving them</p> <p>This involves recognition in the Balance Sheet of the Council's share of the net pension asset or liability together with a pension reserve</p> <p>Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries (Hymans Robertson) is engaged to provide the Council with expert advice about the assumptions to be applied</p>	<p>We have reviewed the accounting policies and confirmed they are in line with the guidance in the CIPFA Code and IAS 19</p> <p>We have reviewed the competence, capability and objectivity of Hymans Robertson, who have been used as management's expert in year.</p> <p>We have relied on an auditors expert, PriceWaterhouseCoopers (PwC) UK LLP, to provide assurance over the reasonableness of assumptions and judgements applied by the actuary</p> <p>We are satisfied pensions have been disclosed appropriately</p>	●
Other accounting policies	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards</p>	<p>Disclosures were in line with the CIPFA Code and considered reasonable</p>	●

Group audit summary

As Group auditors we 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 (set out in ISA 600).

Accounting area	Summary of risks	Commentary	Our assessment
Significant components			
Active Stirling	<p>Management override of control</p> <p>The revenue cycle includes fraudulent transactions</p>	<p>A full scope audit was performed by Hardie Caldwell LLP. We issued group instructions outlining our key risks and planned materiality levels.</p> <p>We have agreed the figures in the unaudited financial statements for Active Stirling to the group working papers provided by the Council and agreed the treatment to the code</p>	<p>We are still awaiting a final response from Hardie Caldwell. No issues noted from draft deliverables nor anticipated in final submission.</p> <p>Action Plan point noted below on timetable.</p>
Stirling Development Agency (SDA) Ltd	<p>Management override of control</p> <p>The revenue cycle includes fraudulent transactions</p>	<p>A full scope audit was performed by PricewaterhouseCoopers LLP (PwC). We issued group instructions outlining our key risks and planned materiality levels.</p> <p>We have agreed the figures in the unaudited financial statements for SDA Ltd to the group working papers provided by the Council and agreed the treatment to the code</p>	<p>We are still awaiting a final response from PwC. No issues noted from draft deliverables nor anticipated in final submission.</p> <p>Action Plan point noted below on timetable.</p>
Non-significant components			
Stirling Business Centre Ltd Stirling Technology Projects Central Scotland Valuation Joint Board ThinkWhere Ltd Raploch Urban Regeneration Company Ltd Raploch URC Landholdings Ltd Stirling District Tourism Ltd Stirling University Innovation Park Ltd Steadfast Homes LLP Stirling Charitable Trusts Stirling Common Good Fund	Not applicable	<p>We have agreed the figures in the group accounts to the unaudited financial statements from the individual bodies</p> <p>We have undertaken a desktop review of the financial statements using analytical procedures to identify any risk areas</p>	Our audit work has not identified issues in respect of the non-significant components

Stirling Council continue to complete their annual accounts process early, with the audit substantially completed by end of June. Council officers should continue to work with the Council Group organisations so they mirror the Councils reporting timetable as revised financial information was not obtained from the bodies until late August 2016 and final reporting from Hardie Caldwell and PwC is still outstanding at this date.

Action Plan point 3

Other areas of audit focus

Internal controls

We update our understanding of the Council's key financial controls and overall control environment on an annual basis.

We considered internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate to our financial statements audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. We undertook walkthrough testing related to:

- employee remuneration
- operating expenditure
- journal entries
- IT control environment

We did not identify any significant deficiencies or material weaknesses arising from our limited testing of the financial controls, however we did identify two minor deficiencies relating to the payroll procedures, as previously communicated to the Audit Committee in March 2016 as part of the audit progress update. These included ensuring all leavers / severance forms are signed by employees.

An action plan is in place to address our control findings reported.

IT control environment

Our testing identified some deficiencies relating to the IT control environment which have been reported in a separate letter to the Digital Services Manager and the Audit Committee on 2 September 2016. Our main IT recommendations were around user access and password controls, with a number of minor points raised for consideration and future follow-up.

Going concern

We considered going concern and obtained assurance through:

- review of financial factors including levels of debt, liabilities, arrears and operating cash flows
- review of financial forecasts and the assumptions which underpin the forecasted figures. The Council business plan sets out indicative financial forecasts through to 2017/18 and beyond as part of a five year budgeting process.

Overall we conclude that it is appropriate for the Council to prepare the financial statements on a going concern basis.

Future accounting considerations: Highways Network Assets

The key accounting change for 2016/17 which will impact on the Council's financial statements is around bringing highway network assets on balance sheet.

The key points from the Council work to date are:

- The indicative value of the assets to be brought on balance sheet is £1.5 billion.
- The Council currently holds 63% accurate condition and material information on footways, and 100% inventory of footways for length and width.
- A survey of retaining walls is progressing well and almost 90% have now been completed.
- Work has taken place to further define the unit replacement costs for street lighting columns and luminaires, as part of the ongoing replacement programme.
- Data capture has taken place for traffic signals to improve information on the components making up the signal.
- Progress is being made on the level of information available on Street furniture and inspection regime in place for some categories.

We feel that the steps taken in advance of this have been reasonable but this will be an area for formal review in the 2016/17 financial statements.

3. Financial management



Financial management

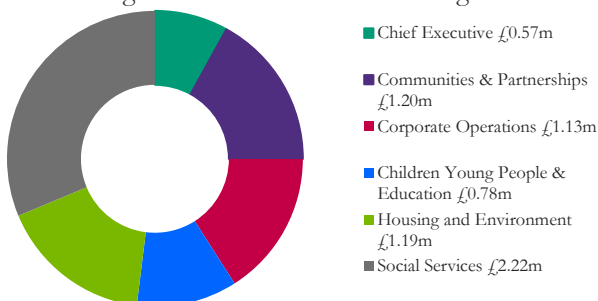
2015/16 out-turn

The Council approved a balanced 2015/16 budget in February 2015, in accordance with statutory deadlines. At the time of approval, planned expenditure was £208.71 million, with a savings plan in place to deliver a balanced budget.

Financial savings

The budget was set using Priority Based Budgeting (PBB) and identified a suite of savings options based on future requirements, aligned to Council priorities. The Finance and Economy Committee routinely receives finance updates, including savings plans which have been risk assessed according to likelihood.

In 2015-16 £7.10 million of savings were achieved against a target of £7.20 million. The key shortfall related to the deferral of £85k of savings into 2016/17 in relation to health and social care integration, and the write-off of £71k of savings relating to social services management structures which were no longer deliverable as a result of the decision to move away from the shared services model. The split of actual savings achieved is shown in the diagram below.



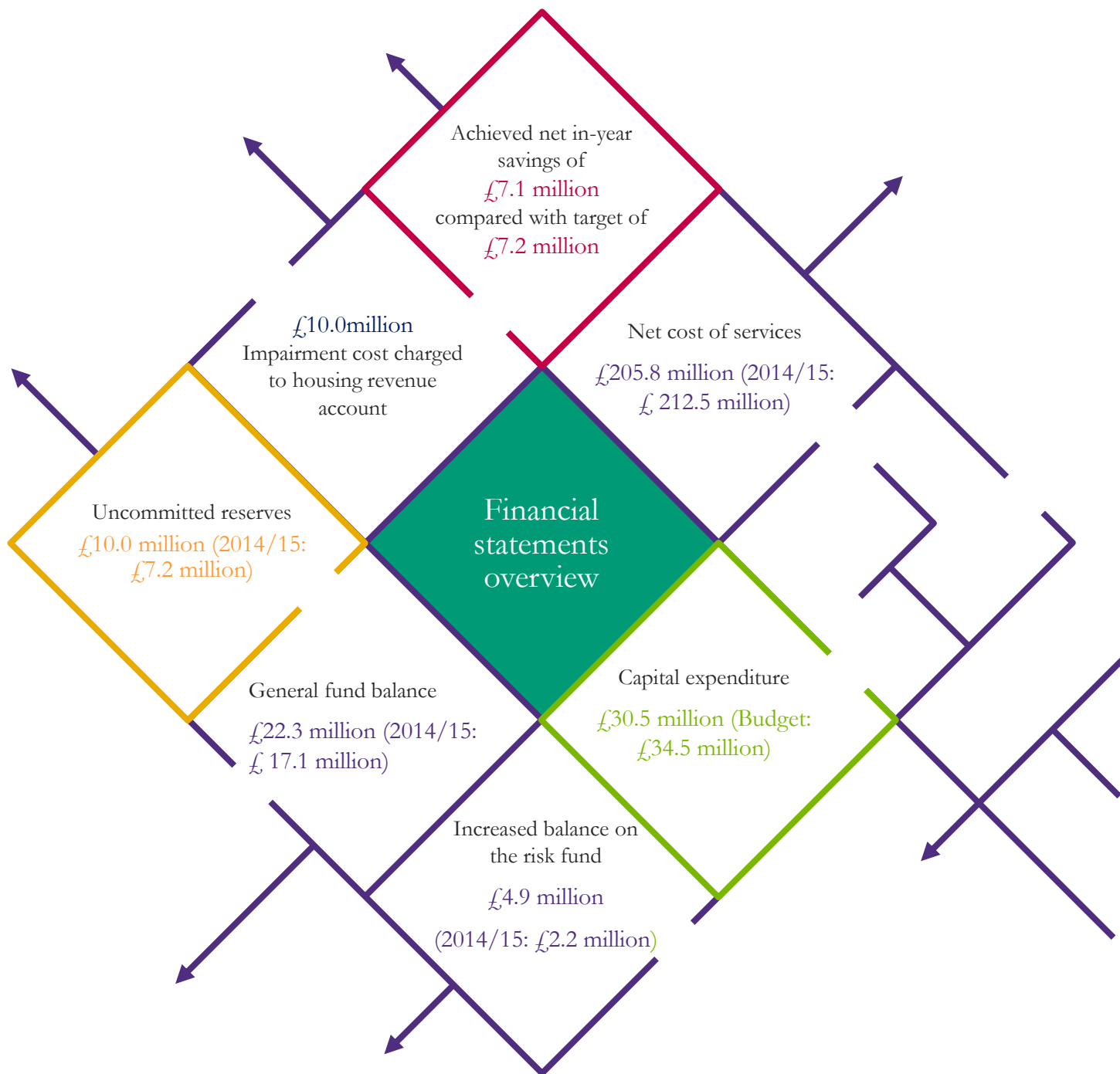
Source: Stirling Council Finance and Economy Committee minutes June 2016

The Council's budget is aligned to the 18 priorities of the Council. Savings proposals are linked to priorities and this helps shape the decisions making process. This exercise also supports the Council in allocating greater resources to key priorities, and continuing to invest in service delivery, as outlined in the five-year business plan.

The Council continues to budget accurately, with the year-end outturn circa £2.8 million ahead of the budget set in February 2015 due to additional savings delivered beyond those required for a break-even level in line with the focus on building reserves. The Council has sought to continue to build reserves, with uncommitted general fund reserve as at 31 March 2016 representing 4.9% of annual net budget. The Council is continuing to focus on achieving savings over and above those needed to balance the budget. This will allow for further investment in the Council's strategic priorities and provide financial support for any emerging cost pressures.

Overall the Council's financial position for 2015/16 has strengthened and the Council are in a comparatively good position going into 2016/17. We note that the reserves position has been built in recognition of the greater challenges that face the Council in future years. The scale of the savings required mean that careful monitoring will continue to be key to ensure delivery against increasingly challenging savings targets.

Key Financial Statement highlights for the financial year ended 31 March 2016 were:



Finance position – Budget against actual

The Council has a good track record of delivering its revenue budget. During 2015/16, routine budget monitoring reports presented remained within 0.1% of the revised budget and final outturn.

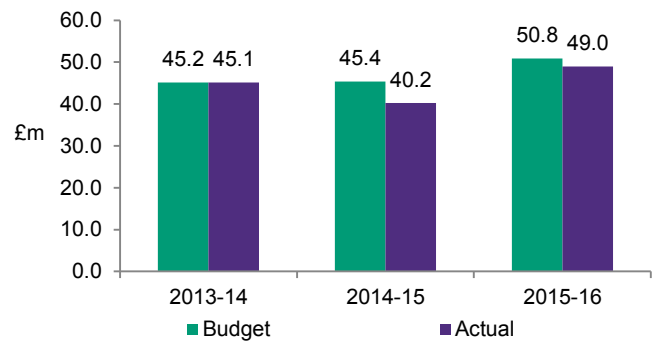
	Budget 2015-16 £000s	Outturn 2015-16 £000s	Variance 2015-16 £000s
Chief Executive's Office	1,644	1,522	122
Communities & Partnerships	9,744	9,742	2
Corporate Operations	20,045	20,021	24
Children, Young People & Education	87,563	87,470	93
Housing & Environment	23,482	23,459	23
Social Services	43,928	44,355	- 427
Net service outturns	186,406	186,569	- 163
Corporate Budgets	21,327	18,995	2,332
Total Net Expenditure	207,733	205,564	2,169

As at 31 March 2016 there was a £0.16 million underspend against the cost of services budget. The main variances include:

- an underspend of £0.122 million on chief executive's office resulting from the early achievement of PBB savings through non-filling of vacant posts as they have arisen.
- an underspend of £0.093 million on children, young people and education. Within this area the most significant movements were an overspend of £0.46 million in additional support needs due in part to placements for vulnerable children and an underspend of £0.63 million partly due to the phased implementation of the Children and Young People Act.
- an overspend of £0.43 million for social services with largest overspend being in children's social care.

Capital programme

The Council incurred General Services capital expenditure of £30.462 million, (88.2% of the capital budget of £34.518 million and 59.9% of the total capital budget for the year) with main projects being new school builds, road maintenance improvements and introduction of energy-efficient street lighting.



Source: Stirling Council Abstract of Accounts 2012/13 to 2015/16

Although general services spend was within budget, there was a housing capital programme overspend with expenditure of £18.152 million against a budget of £16.328 million. This was caused by the completion of delayed “new build” programmes, as well as additional spend on commercial properties.

Overall the total capital spend of £48.974 million was within budget of £50.846 million in line with previous years.

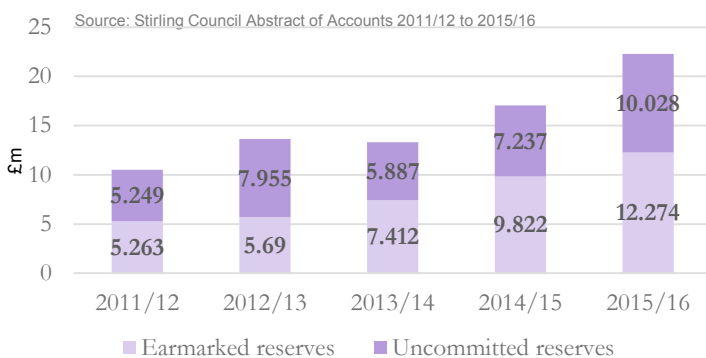
Housing Revenue Account

Expenditure in 2015/16 totalled £20.1 million (2014/15 £23.0 million), including impairment and depreciation charges of £9.9 million (2014/15 £12.6 million). Income has increased 2% year on year largely as a result of approved rent increases of 1.2% in the year. The net surplus is £0.1m (2014/15 £0.2m). In line with known trends, the Council continue to have amongst the lowest HRA balances as a proportion of dwelling rents, with a £0.5 million balance carried forward at year end.

Reserves position

Un-earmarked reserves as at March 2016 were £10.03 million which was an increase on prior year (£7.24 million). We note that there has been a conscious decision to build reserves to be used in line with the PBB plans to invest for future transformation projects. The Council are focused on ensuring that reserves are being used strategically in the context of overall sustainable financial planning and not to fill budget shortfalls or defer key decisions.

The earmarked element of the General Fund also increased in year to £12.27 million (2014/15: £9.82 million).



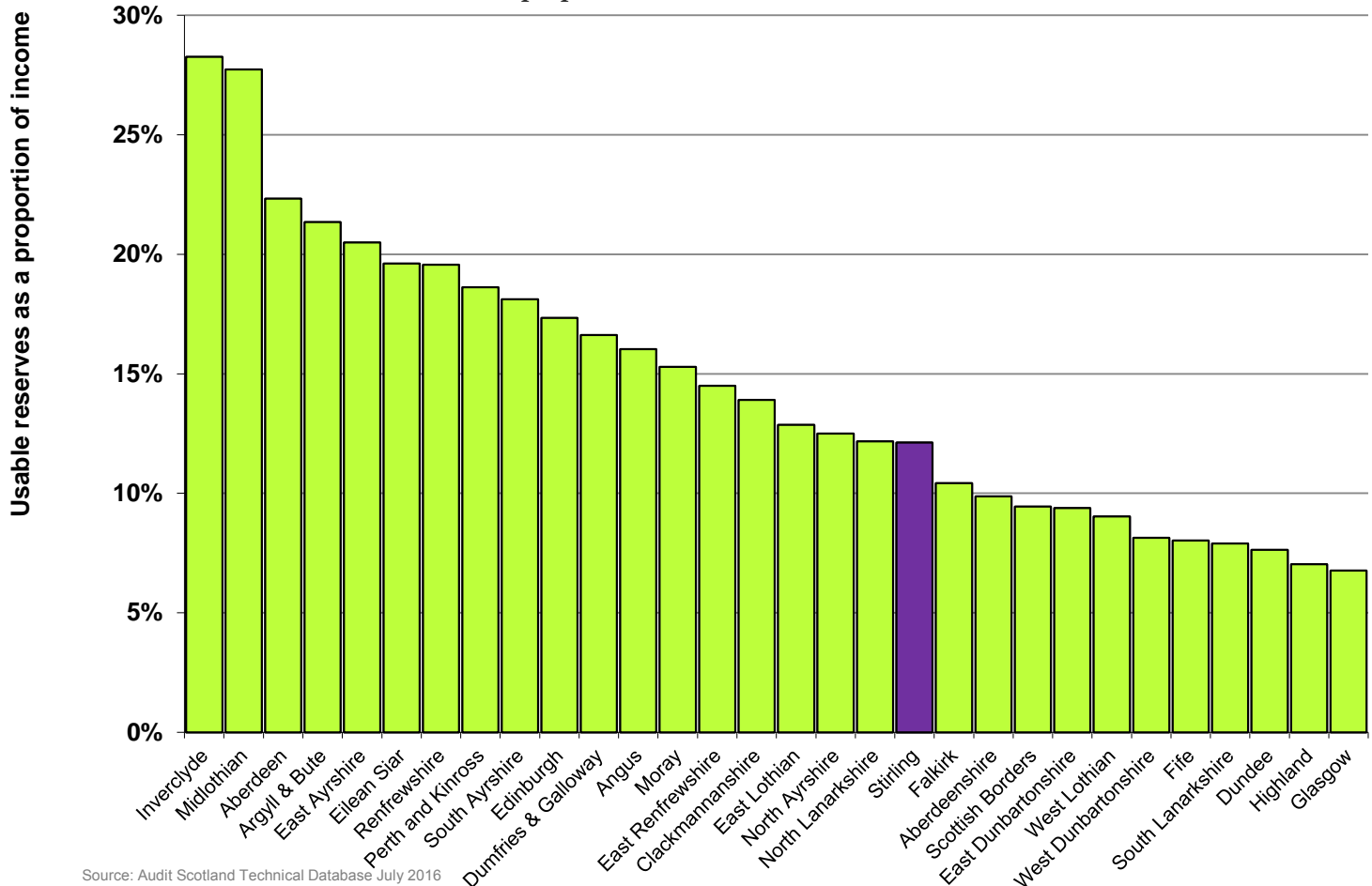
Earmarked purposes include:

- the creation of a Risk Fund in line with the Priority Based Budgeting strategy which has a balance at 31st March 2016 of £4.884 million to capture potential cost pressures. New balances in year of £2.713 million made up over half of the Risk Fund balance at year-end.
- council tax second homes discount £1.02 million
- Strategic Housing Account £0.73 million

To support the Council's vision to be risk aware, not risk averse, the Council has created a specific risk fund. The intention of this fund is to support strategic investment and innovation in the Council, linked to their priorities.

We note below that the level of usable reserves is within the mid-range of Councils in Scotland, having been in the bottom quartile in 2014/15.

Usable reserves as a proportion of annual income



Source: Audit Scotland Technical Database July 2016

3. Financial Sustainability



Financial Sustainability

2016/17 and 2017/18 Budget

The Council set a balanced budget for 2016/17 with total NDR, Council tax and general government grant income expected to reduce to £204.7 million (2015/16 £210.4 million), with the key reduction being the £6.4 million reduction in the general government grant. Expenditure is also budgeted at £204.7 million (2015/16 £205.6 million), incorporating £11.5 million of combined PBB savings offset by £7.1 million of inflationary increases and cost pressures

Throughout the course of the five-year plan, the deficit position is expected to grow with some savings identified but significantly more will need to be done in this area in order to achieve budgetary balance by 2020.

Priority Based Budgeting (PBB)

The Council have a five-year business plan (2015/16 -2019/20). This sets out a savings gap of £21.235m by 2019/20 revised down to £18.928m following their priority based budgeting approach. This forecast includes estimates based on information available at the time.

The Council highlight their focus on: being community-led, risk aware and being increasingly open and transparent. PBB as a methodology promotes post one year thinking and provides a good framework for consistency and transparency. On an annual basis the Council continues to evolve this methodology; reflecting on feedback from Elected Members.

The Council continue to review the longer term financial plans and are relatively flexible at adapting to changes as notified by the Government. When the funding settlement was announced for 2016/17 they acted quickly and found the necessary savings by re-assessing plans and identifying changes to the phasing of savings.

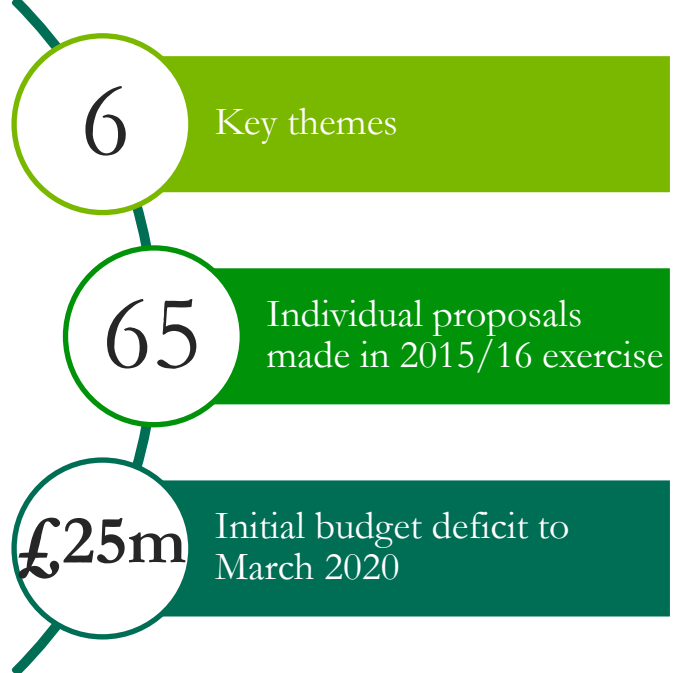
Where PBB projects impact on Council staff, through either severance packages or changes in terms, ongoing dialogue is held with the Trade Unions and other stakeholders/representatives. For example, there are currently ongoing discussions in relation to the significant PBB waste management project as part of the Council wide transformation.

Cumulative savings proposals of £25.1 million have been identified for consideration through the PBB project as part of the 5 year business plan. Under each key theme, there are a number of individual projects costed and presented.

In addition to these options, work is ongoing to identify further options to bridge the financial gap. With the potential for a growing deficit, careful monitoring of savings against targets will continue to be essential to ensuring reductions in the funding gap.

Action Plan point 4

PBB in focus



Value of proposed saving plans by theme

Transforming theme	16/17 £000s	17/18 £000s	18/19 £000s	19/20 £000s	20/21 £000s
Learning	1,748	452	503	717	522
Care	745	1,702	1,380	1,290	1,050
Communities	1,075	1,025	1,050	1,188	1,186
Operational Services	1,635	670	-	350	100
Support Services	1,648	1,199	1,357	1,228	1,034
Chief Executive's Office	145	95	30	-	-
Total saving in year	6,996	5,143	4,320	4,773	3,892

Community engagement is a key element in the PBB approach, and 10 Community Conversations and 3 Business Breakfast Briefings were held across the Council area between September 2015 and February 2016. In addition, a survey was made available on the Council website and publicised via social media, and was open from November 2015 until February 2016. Social media and People's Forum were also available. This approach provided a platform for constituents to engage and participate in the process, ask questions around service delivery and suggest approaches to making savings.

Future financial position– an outlook

The 2015/16 financial statements indicate the Council is in a reasonable position, but looking forward into year three of the five-year business plan, the need for savings to reduce the funding gap will increase significantly.

Early indications for 2016/17 show a slight overspend in the general fund services budget of £0.265 million, representing 0.1% of the total service budgets. The anticipated overspend has reduced from the April 2016 forecast of £0.550 million and the improvement has been generated through more favourable outturns for Children, Young People and Education and Social Services.

Savings of £2 million are expected from loan charges and additional income of £0.5 million from Council Tax. The Council also demonstrated savings through non-filling of vacant posts as early achievement of a PBB target. This has been recognised across various areas such as Chief Executive’s Office, Communities and Partnerships, Corporate Operations and Social Care. It will become an increasingly critical challenge for the Council to ensure quality delivery of services and outcomes when faced with these savings targets.

The projected uncommitted general fund reserves position at 31st March 2017 is £9.60 million, 4.7% of budget and in excess of the target level. This takes into account a potential transfer from the earmarked risk fund to meet budgetary pressures.

Local Authority Elections will take place in May 2017. While the individual composition of the Council may change, as tends to happen at any election, and given a significant number of elected members are not standing, the underlying financial sustainability challenges will remain.

PPP and PFI contracts

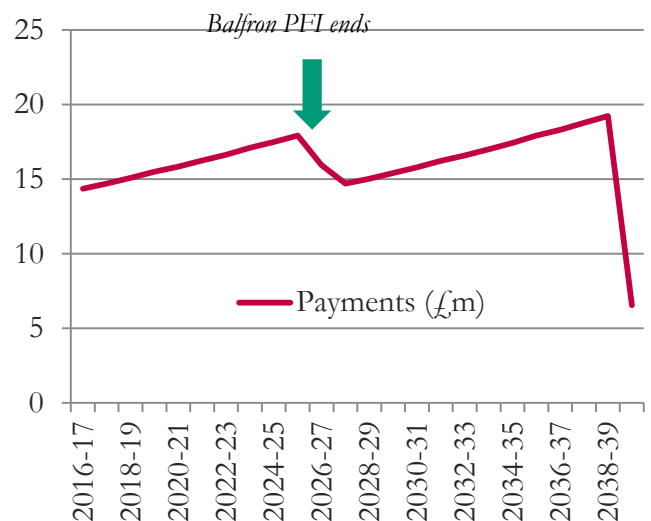
The Council entered into a PFI contract for Balfroon High School in March 2000, with the contract running to August 2026. A Stirling Schools PPP contract was subsequently agreed in August 2006, with the contracts running to 2039-40. A summary of the total commitments is set out below:

Lifecycle commitments under PFI / PPP contracts

Element	Balfroon	Stirling Schools	Total
Service charge	17	159	176
Principal charge	7	57	64
Interest charge	4	53	57
Contingent rentals	9	79	88
Unitary Charge	37	349	386

The Council pays a unitary charge which covers service costs, interest payments and repayment of debt. The total annual unitary charge for 2015/16 was £14.1 million. Over the remaining life of these contracts, the Council expects to pay £385.9 million in charges. This represents a significant portion of the overall budget settlement and is built in to long-term financial plans to ensure that the unitary charge can be afforded over the life of the contract.







Combined PPP and PFI Commitments



Performance against other local authorities

Audit Scotland complete an annual analysis of all 32 local authorities based on the unaudited financial statements against a series of measures. Our review noted that performance against other local authorities was generally in the middle of the range but there were some areas the Council were considered as an outlier.

These included:

-  Fourth highest upward movement in usable reserves as a proportion of net revenue and also increase in general fund reflecting the Council focus on building reserves as noted on page 20.
-  Top quartile for capital expenditure funded directly from the general fund and second highest capital expenditure proportion from HRA.
-  The value of exit packages in 2015/16 was in the bottom quartile for total cost, average cost and cost as a percentage of net revenue
-  Bottom quartile for HRA balance as a percentage of dwelling rents denoting particularly low HRA balances.
-  Fourth highest average interest costs as a proportion of gross external debt at just under 7%. The range is between 4.1% and 7.2%, and the Stirling rate is 6.9%.
-  Stirling Council continue to have the second highest pension liability as a proportion of net revenue.

The most notable points are the movement in reserves covered previously in this report, and also the relatively high interest payable percentage. The Council's average rate on the long term portfolio is 6.5% and is a generally a result of historic debt at relatively high rates. We suggest that current treasury management arrangements continue to be considered to ensure that best value is being received in this area.

Action Plan point 5

In Audit Scotland's Overview of Local Government in Scotland 2016 publication, the Accounts Commission stated that most of the local authorities, like Stirling, are reporting funding gaps. At this stage, the Council, in common with other Local Authorities, faces continued uncertainty over whether planned savings will be sufficient to cover gaps.

We have followed up against each key area highlighted below:

Issue raised	Impact on Stirling
Increasingly difficult decisions about spending reducing budget	This remains a key ongoing challenge for the Council and Elected Members and continues to be carefully considered during the budget setting process.
Evaluating options for more significant changes to services	This is already a key area of focus under the PBB approach, and remains a critical area of focus for the Council (see page 23).
Reduced customer satisfaction with services provided	This is a key concern for the Council and Elected Members and is considered during the budget setting process.
Retaining staff with the knowledge, skills and time to design, develop and deliver effective services in the future	This is a key factor considered within workforce planning as the Council continues to strive for sustainable medium term finances
Empowering local communities to deliver services that are sustainable and meet local needs	This remains a key area of focus, with response ongoing to the revised requirements of the Community Empowerment Act. This is a key element of the ongoing work around Community Planning Partnerships and the ongoing development of the Local Outcome Improvement Plan (see page 33)
Ensuring Councillors keep updating their skills and knowledge so they are best able to challenge and scrutinise decisions and performance, and fully assess options for new and different ways of delivering services.	This is a key area of focus for the Council, and an area where improvements are anticipated. Consideration is being given to the most appropriate format and types of training required (see page 29).

We are satisfied that there are no matters raised within this report that are not being appropriately considered by the Council.

City Deal

Stirling are part of the 7 Scottish Cities Alliance, alongside Aberdeen, Dundee, Edinburgh, Glasgow, Inverness and Perth. The Alliance aims to attract external investment, stimulate economic activity and create new jobs and business opportunities to deliver economic growth and empower communities in these key cities.

The Council are focused on city deal development to drive economic investment in the area and build in infrastructure links through making better use of the rail and road networks; attracting new and larger businesses and bringing people into the area through residential housing developments. The development is something the Council has been working on for the past 18 months.

The £600 million Business Case has been prepared and submitted to the UK Government. The application is at a relatively early stage in the negotiating process, and the additional uncertainties around the vote for Britain to leave the European Union since the submission has added further uncertainties.

The City Deal offers the potential for massive investment into the Stirling economy. While positive initial feedback has been received in respect of the quality of the business case, there remain considerable uncertainties around the success of the application. The 6 key concept projects to stimulate the overall city development are outlined below:



Joint public consultation drop-in Information Events with the draft Local Development Plan and draft Local Transport Strategy are being held on 6 dates in August 2016 across the Council area, and views are also being taken via email and postal submissions. The public consultation period on the City Development Framework draft Master Plan and Environmental Report will run from Monday 25th July to 5th September 2016.

Workforce Planning

As part of our wider Code work during the year we were required to complete a return on Workforce Planning for the Council. This took the form of a follow-up to the November 2013 report published by Audit Scotland. A number of good practice areas were identified in the report, which were subsequently incorporated into the Council's Workforce Plan, such as linking workforce plans to financial plans and linking to service delivery over three-five years.

From our work we identified minor areas the Council may wish to consider including:

- no formal review of good practice before developing the Workforce Plan, albeit considered in an informal sense
- no formal scenario planning in place although budgets are prepared based on PBB which identifies a range of options and impact
- plans are reviewed annually to reflect changes in year and to drive continuous improvement but not necessarily against the sector to establish whether the arrangements are best practice.

Action Plan point 6

4. Governance and transparency



Governance and transparency

Annual Governance Statement

Last year the Council conducted a review of effectiveness of the governance framework and the system of internal control to inform the AGS. The review of effectiveness did not highlight any issues that would impact on the level of assurance over the governance framework.

Upon review of these against the Local Code of Corporate Governance, Internal Audit reported in May 2016 that:

- the Code is consistent with the CIPFA/SOLACE guidance on Delivering Good Governance in Local Government and with wider frameworks such as CIPFA and IFAC International Framework Good Governance in the Public Sector
- Key governance arrangements and controls are set out in the Code with evidence to provide assurance that these are applied in practice
- A Service Improvement Action Plan is in place and includes updating Internal Audit Charter, implementing and monitoring revised performance indicators and finalising arrangements for external quality assessment.

We reviewed the Council's AGS as part of our audit procedures and concluded that the disclosures were in line with the CIPFA Code and our knowledge of the Council. The statement is sufficiently balanced, reflecting key aspects of the Council's governance structure as well as key areas for future development.

Audit committee

In previous years the Council has reviewed the role and remit of the Audit Committee, including reducing the size of the committee to allow for greater scrutiny. On the whole, the Committee stays broadly non-political in nature. The Committee is made up of 6 elected members, of which 4 need to be in attendance to be quorate. However, in February 2016 initially the meeting wasn't quorate and an elected member who was at the Council Headquarters at the time stepped in, and again in May 2016 when an elected member stood in for another member. Although Substitutes were identified they were not Audit Committee members; did not necessarily have the chance to review the papers; and therefore although technically quorate, the overall effectiveness of scrutiny at these meetings was reduced. Looking ahead, arrangements should be reviewed either to reduce the number of members to be quorate or consider additional members, to reduce the risk of this being an ongoing challenge.

Action Plan point 7
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In our external audit role we attend all audit committees during the year, and in our experience the level and effectiveness of the scrutiny that takes place varies. At times the papers elected members receive are very detailed, and not always easy to identify the key messages and associated actions. Looking forward, cover papers could better signpost elected members to the more substantive matters. Audit Committee members may benefit from specific training in this area so they fully understand the role, and the level and detail of questions they should be asking of Officers. It is noted that other Scottish Local Authorities have introduced a non-executive type role either as Chair of the Committee or committee member to support elected members in discharging their scrutiny function. This is something the Council may wish to consider, alongside a new scrutiny training programme post Local Government elections in May 2017.

Action Plan point 8

Changes in management structure and personnel

The Chief Executive set out proposals in May 2016 for a proposed new organisational structure from Director to Service Manager level. This was in part driven by Council decisions to move away from Shared Services with Clackmannanshire Council in October 2015, and to review and reduce existing management structures in February 2016.

The first phase of this work focused on Director and Senior Manager level, with the second phase planned to look at management and supervisory structures. The first phase is expected to deliver annual PBB savings of £767,000, with significant further savings expected to be delivered in phase 2 once this is finalised.

We note significant change in the management structure with the move from a 5 director model to a 2 director model. The Director of Corporate Operations and Director of Housing have both left their roles, while the previous combined roles in Social Work and Education have been revisited and redefined in line with the withdrawal from shared services arrangements with Clackmannanshire Council

With movement of key personnel and changes in structures it is important that the Council have clear arrangements in place to ensure clear lines of responsibility for the new roles and a smooth handover.

Internal Audit

The Council has an in-house Internal Audit function and they confirmed compliance with Public Sector Internal Audit Standards as part of their Annual Report.

Internal Audit consists of a team of four (the Fraud and Audit Officer role has moved to the Council's enforcement team) and is led by the Internal Audit Manager, who reports to the Chief Governance Officer (previously the Director of Corporate Operations up until July 2016).

Internal Audit is required to provide an annual opinion to the Audit Committee on the assurance framework. In 2015/16 the Internal Audit Manager issued the following opinion:

"We have concluded that, based on the evidence available and subject to the implementation of audit recommendations to address any weaknesses identified, reasonable assurance may be given that the control, governance and risk management arrangements within the Council are adequate and operated effectively during 2015/16."

No limited assurance reports were issued in the year.

Recognising the increasing financial constraints of the Council, and the internal structural changes that are taking place over the next 12 to 18 months, it is important that internal audit activity remains aligned to the strategic risks facing the Council.

Action Plan point 9

Internal audit will play a key role in highlighting to officers gaps in controls as well as importantly highlighting areas of over-control, or where controls may not be proportionate to the level of risk. This will help Officers re-direct support to areas of under control, within the total available resources they have, strengthening the control environment. As the Council's risk management arrangements are further developed, internal audit can place greater emphasis of these arrangements to drive the annual and 3 year strategic plan, whilst still ensuring compliance with PSIAS .

Across all areas of the Council is an increasing focus on efficiency and added value. Internal audit should continue to review the level of resourcing in place aligned to outcomes, continuing to look at whether reviews can be done more efficiently in fewer days, for example through increased use of analytics; reviewing annual vs. every 3 year coverage and also considering the time spent on management and oversight of the internal audit function.

As set out in our audit plan we reviewed the work of Internal Audit to inform our audit approach. However, we did not place reliance on any specific Internal Audit work undertaken in 2015/16.

Overall Internal Audit have completed their plan for 2015/16 as agreed with the Audit Committee and have provided detailed regular updates to Committee.

We note that there were 32 overdue recommendations from internal audit reports based on current target dates, including 4 high priority items. This is from a total of 415 recommendations initially made. We recommend that processes are put in place to ensure the timely clearance and sign off on recommendations raised, including closure of any points noted as no longer being relevant.

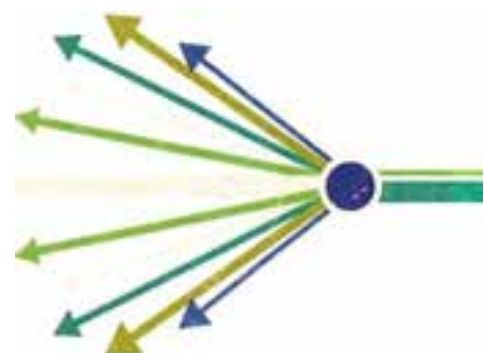
Action Plan point 10

Elected Member Training

During the year the Council organised different training or information sessions for elected members including specific treasury management training. Attendance at this session was low, with only 3 Elected Members attended the treasury session, which was jointly facilitated by Capita. Going forward, Officers should continue to engage further with elected members on the training and/or information sessions they feel they would benefit from, scheduling these well in advance to ensure reasonable attendance. It may be worth considering alternative training forums to increase attendance at sessions, for example training recorded to listen to at a different time and/or online training.

Action Plan point 11

We note that forthcoming sessions are planned in September 2016 on ALEOs and on the Legal Duties of Directors and Trustees, and feedback from these and other training can be built into the future elected member training programme.



Prevention and detection of fraud and irregularity

The Council has a Fraud and Corruption Strategy which is designed to promote an anti-fraud and anti-corruption culture. This is supplemented by the Council's Public Interest Disclosure (Whistleblowing) Policy. The Council appointed a Fraud and Audit Officer to support and further develop the Council's arrangements, including an update of the current Fraud and Corruption strategy (December 2015) and this is reflected in the Annual Governance Statement as a future area of focus.

Audit Scotland published a National Fraud Initiative (NFI) report in June 2016. Key findings were:

- since last reported in the June 2014 fraud and error outcomes valued at £16.8 million have been recorded and the cumulative outcome is now £110.6 million for Scotland
- the 2014/15 review included 104 Scottish bodies across three sectors, with 585 datasets submitted generating 347,715 data matches for further investigation.
- There are 2,522 investigations in progress and action being taken to recover £4.2 million of overpayments.

Internal Audit have a designated resource for counter-fraud and as part of the duties this involves carrying out the checks on the National Fraud Initiative matches.

Our enquiries of management and the Council's internal audit identified no frauds in year as part of the 2014/15 exercise though just over £2,000 was recovered as part of a creditors match.

97% of matches have been closed, with the remainder being ongoing queries referred to Department of Work and Pensions / Single Fraud Information Service (SFIS). This represents good progress in this area.

2016/17 National Fraud Initiative

The 2016/17 process will shortly be commencing, with data submission between October and December 2016 and matches being made available to the Council for investigation from late January 2017. Key changes for the 2016/17 return include:

- Council tax reduction scheme data is an additional dataset required for the NFI 2016/17 exercise
- Housing waiting list data is an additional dataset required for the 2016/17 exercise
- Council tax and electoral register data is now required the same year as the main exercise, but on a slightly different timescale.

Arrangements for maintaining standards of conduct

In line with the Ethical Standards in Public Life etc (Scotland) Act 2000, the Council has established a Code of Ethical Standards and the specific Code of Conduct for Councillors as approved by the Scottish Government. A register of interests is available for each Councillor on the Council's website, and declarations of interest are made at each Council meeting. We have not identified any control gaps in the arrangements currently in place.



5. Best value and value for money



Value for Money

Shared Services

In December 2015 the Council took the decision to end the shared Education and Social Service with Clackmannanshire Council.

This has given the Council the opportunity to redesign Education and Social Services with the view to create a more flexible demand-driven service. The Council has approved appointments for the Chief Education Officer and Chief Social Work Officer posts. The Chief Social Worker Officer will have a key relationship with the Integration Joint Board (IJB). The IJB will assume responsibility for all strategic matters related to adult social care while the Council will be responsible for delivering the services.

While shared service arrangements are being terminated with Clackmannanshire Council, there remains clear and strong communication between both parties and the arrangements will not be formally terminated until appropriate arrangements are in place at both Councils to manage the services appropriately on an individual Council basis. There will also be one IJB covering both Councils and therefore close co-operation will continue in future. It is hoped the agreement will be 'terminated' in December 2016, assuming both parties agree and are ready to go forward individually.

Health and Social Care Integration

Stirling and Clackmannanshire have a history of social services joint working through the partnership and shared social work services between the Council and Clackmannanshire Council.

A Stirling and Clackmannanshire Partnership Board was established in April 2014 and superseded by the Transitional Integration Board (the Board) in January 2015. The Board went operational on 1 April 2016, and prior to that date only key management salary and member expenses were recorded.

The Board has voting representation as follows:

- Stirling Council: 3 members
- Clackmannanshire Council: 3 members
- NHS Forth Valley: 6 members

In addition there are 6 further members who do not have voting rights.

Overall the Board is focused on:

- financial and funding requirements
- relevant governance documentation
- organisational development of the Board
- the strategic plan
- performance framework

Work towards Integrated Joint Board, like all authorities, has gone ahead and the procedures in place have gone reasonably well. Examples include the governance arrangements and early production of a strategic plan 2016-19.

However, in terms of total Board membership this is the largest in Scotland with 18 members. In addition, there are 15 staff representatives, unpaid carer representatives, service user representatives, third sector representatives and advisory members.

Once the IJB settles as a Board and goes into "operational" delivery, governance will need to be re-looked at to make sure decision making is effective.

Action Plan point 5

Community Planning Partnerships

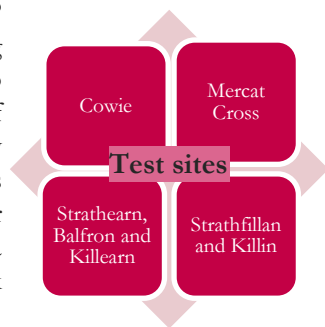
During the year the Accounts Commission produced a third national report on Community Planning partnership arrangements. The paper continues to evaluate performance across Scottish Local Authorities and focuses on two areas: Policy context and development since 2014; and progress nationally and locally against Audit Scotland's previous recommendations.

The headline message in the report is that headway is being made at a national and a local level but is not yet delivering the required changes in the way public services are organised and delivered, with and for communities.

The Community Empowerment Act introduced new statutory duties for Community planning, alongside other changes, intended to give local people more say in how public services are planned and run. The act strengthens the focus on both improving outcomes and tackling inequalities.

Overall the report found that CPPs continue to build on the positive progress reported in 2014, in particular in terms of leadership and scrutiny and using data to set clearer outcomes. However, there is little progress in sharing, aligning or redeploying their resources in significantly different ways and on a large scale to deliver the CPP priorities in line with the statement of ambition.

In terms of local progress the CPP has placed an emphasis on working in partnership with communities to explore the principles of community leadership and delivery tangible and positive change. This has been achieved through four community test sites in the area considering how partners can work collaboratively to meet their needs.



Work will continue with the test sites through 2016/17 and experience to date will inform the development on a locality focussed approach to service delivery across the Council. A formal test site evaluation is planned in early 2017.

The Community Empowerment Act has significantly impacted the way in which the CPPs will require to operate nationally. It places community planning in statute and introduces a new responsibility across all partners (and not just Local Authorities) to evidence improved outcomes for communities.

The Community Empowerment act requires a Local Outcome Improvement Plan (replacing the SOA) and Locality plans for deprived areas to be completed by October 2017. An executive level working group has been established to drive this work forward.

Statutory Performance Indicators

All councils in Scotland are required to publish their performance during the previous financial year against a set of Statutory Performance Indicators set by Audit Scotland.

Of the 18 SPIs, 5 achieved ratings of target not being met indicating a poorer performance in areas of community care, education of children, child protection and children's social work, housing and homelessness and roads and lighting.

The Council has a range of statutory indicators which it needs to report performance against. The Council has a separate section on the website which explains to members of the public the Council's performance management framework, and progress against the Statutory Performance Indicators (SPIs) and other performance measures the Council use to evaluate outcomes.

From a review of the Council's reporting against SPIs we would highlight:

Corporate management: The council achieved its employee absence target, but not in the case of teachers. Street cleanliness was just below the target for Scotland, but the Council comment that this does not seem to have impacted on public dissatisfaction

Service Performance key observations include:

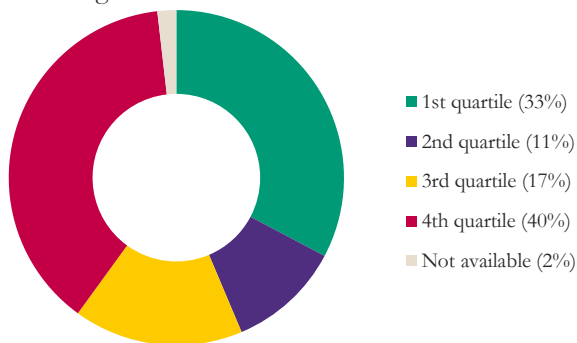
- Community care – Shifting the balance of care has not reached its target, but is still above the national average at 30% and will continue to be a focus
- Culture and Community services – attendance at libraries and indoor sport and leisure facilities has increased in year compared with prior year
- Education of children – all targets achieved
- Child protection and Children's Social Work – Successful in meeting the timetable for submitting social background reports to the Children's Reporter
- Housing – Rent loss through properties being empty fell just short of the target set
- Roads and lighting – The % of roads network that needs treated has risen slightly in year from 43.1% to 44.2%. This target has been below for a number of years and continues to be an area of focus for the Council.

Local Government Benchmarking Framework

As required by the Local Government Act 1992 Publication of Information (Standards of Performance) Direction 2013, the Council has collected and reported information on Corporate Management (SPI 1), Service Performance (SPI 2) and the Local Government Benchmark Framework (LGBF SPI 3).

The LGBF comprises a suite of performance indicators which are collected for all councils across Scotland to create a database of comparable data. The Council's performance data, which was reported into the 2014/15 LGBF is available on the Council website. In 2014/15 there were 55 indicators as part of the LGBF and the Council has showed mixed results with a much greater proportion falling in quartiles 1 and 4 than noted in the 2013/14 analysis performed last year.

Performance against LGBF indicators:



Source: Local Benchmarking Framework 2014/15

This chart highlights that service performance in a national context remains mixed with 33% in the first quartile (2013/14 24%), but 40% within the bottom quartile (2013/14 20%).

Areas performing well include: council spend per pupil in pre school and primary education (top quartile for highest spend) and corporate asset services. Particularly strong performance was noted in relation to resident satisfaction with local libraries, parks, museums and leisure facilities despite some of the lowest costs per visit in the population.

Performance in the bottom quartile of councils include roads maintenance, cost of waste collection and disposal, cost of environmental health services and gross rent arrears at 31 March as a percentage of rent due. We note that performance in environmental services is particular low compared to other local authorities, and note that a significant PBB option is currently being explored in relation to waste management aiming to drive significant savings in this area.

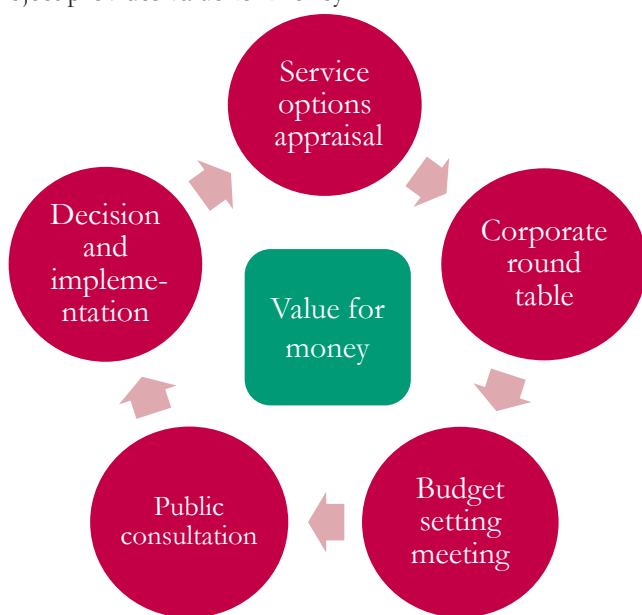
We have raised the level of rent arrears as an area of challenge for the Council in our prior annual reports. This is an area where performance remains comparatively low. In the most recently available 2014/15 figures, the Council was ranked 25th out of the 26 Councils who maintain a housing service. The arrears percentage had increased on prior year by a proportion of 17% to 9.6%, with this increase being significantly higher than the national average increase of 5% to 5.9%.

The Council recognises that improvements in this area are likely to occur over a long period and this remains a high priority for improvement for the service.



Value for money

The Council continue to have a project driven approach, with a project management office in place to oversee all Council projects. All projects need to be directed under the PMO and be fully supported with business cases and completed option appraisals before a decision is taken. Options are robustly challenged throughout the process to ensure that they are achievable and that the project provides value for money.



Council officers and Elected Members, via the relevant Committee consider Audit Scotland national reports, using the information (including checklists) and case studies to compare the Council’s arrangements against recommended practices. For example the national Local Government overview report checklists were completed and used to consider the Council’s governance arrangements. In addition, the capital report was used to benchmark the Council’s arrangements, and will link into the 10 year capital programme exercise that is ongoing.

The community pilots that were completed during 2014/15 have started to change the way that the Council works, and the feedback from these pilots was well received. These 4 pilots have allowed the Council a greater visibility and understanding of the individual communities, their needs and requirements and what the Council can do to help shape and influence communities. These pilots will inform the Council’s future thinking on localities approach which is just starting to be developed. Also, through PBB and the localities approach, the Council hope to better target council resources to community needs, ensuring value for money and better community outcomes.

Value for money and improved outcomes is a focus throughout the Council’s transformation programmes. For example, the waste management project is looking at the future delivery of waste, and as part of this project the redesign of the service and better use of the Council’s fleet were identified as opportunities for further improvement in an area where Council performance has previously been noted as below average.

Arms Length Organisations

The Council continue to review their arrangements in particular governance with arms-length organisations and ensuring the council achieves value for money and the outcomes from the partnerships in place. In particular during the year there has been additional training for elected members who sit on the Boards of these arms-length bodies around their role in governance and their obligations.

In December 2015 the Council took the decision to tender the services currently provided by Active Stirling as this contract was coming to an end point (March 2017). Recognising this position, the individual elected members appointed to the Active Stirling Board resigned to avoid any potential conflicts arising.

A Soft Market Testing Event was held on 9 June 2016 for leisure services. A prospectus was sent out to all parties interested in tendering for the contract. On the day, each of the interested parties were asked a series of questions covering different aspects of the contract.

A steering group is overseeing the development of the specifications of the tender. This specification will be issued in early Autumn 2016, with the expected commencement date for the new contract being 1 April 2017.



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Appendix A: Identified misstatements

We are required to report to those charged with Governance any identified adjustments, over and above our de minimus materiality level of £0.25 million, which we have reported to Officers but have not subsequently been reflected in the final version of the Financial Statements. We have 1 adjusted item and 2 uncorrected adjustments to report, which are outlined below.

Adjustment type	CIES £m	Balance sheet £m	Reserves £m	Account balance	Reason for not adjusting
Adjusted					
Reclassification of Steadfast Homes assets prior to transfer to move to Other Land and Buildings	-	5.012	-	Dr Asset reclassifications – Other land and buildings	N/A
	-	(5.012)	-	Cr Asset reclassifications – Assets under construction	
Unadjusted					
Reclassification of bank overdraft to short term creditors	-	0.817	-	Dr Cash	Not material
	-	(0.817)	-	Cr Short term creditors	
Pensions adjustment – Active Stirling . We note that Active Stirling account for this as a defined contribution scheme but note that the liability should be included as a defined benefit liability.	-	-	1.700	Dr Group pension reserve	Not material. Value obtained as part of pension reporting to Stirling Council.
	-	(1.700)	-	Cr Group long term pension liability	
Net impact	-	(1.700)	1.700		

Appendix B: Action plan

Issue and risk	Priority	Agreed action
<p>1 NDR Grant Claim: reduction in rate yield for unoccupied properties</p> <p>In the Council's system, there is an automatic top up that occurs, even when another non charitable tenant moves into the property. It is the Landlord's legal responsibility to notify them when there has been a change in tenant. We noted that on 3 occasions, the Council has continued to automatically issue relief where it is not due. There is not a way to reclaim the relief back.</p> <p>Risk</p> <p>There is a risk that the Council is not receiving the full amounts due in respect of rates in this area.</p>	Low	<p>We recommend that the NDR system is revisited to ensure that the issue identified through our audit work can be corrected and appropriate reliefs provided.</p> <p>Management response:</p> <p>The Council's Rates system has been amended to ensure that automatic top ups no longer occur.</p> <p><i>Responsible officer: Alison McLean, Supervisor Payments</i></p> <p><i>Target Date: Completed August 2016</i></p>
<p>2 NDR Grant Claim: unoccupied charges</p> <p>Our testing noted that the wrong relief was issued in one case. The property did not qualify for unoccupied property relief but SBB relief instead. The relief is calculated at the same poundage, and therefore there was no overall effect to the accounts.</p> <p>Risk</p> <p>There is a risk that the Council is not correctly allocating reliefs</p>	Low	<p>We recommend that Council officers consider any amendments required to ensure that the right NDR reliefs are applied.</p> <p>Management response:</p> <p>This was an oversight and appropriate checking procedures have been put in place to minimise the possibility of reoccurrence.</p> <p><i>Responsible officer: Alison McLean, Supervisor Payments</i></p> <p><i>Target Date: Completed August 2016</i></p>
<p>3 Group entity reporting timetables</p> <p>We note that the timetables for finalisation of Group entities are not currently aligned with the Council timetable which introduces a delay into the group accounts finalisation process.</p> <p>Risk</p> <p>That the overall timetable is delayed by late reporting by Group entities.</p>	Medium	<p>Council officers should continue to work with the Council Group organisations so they mirror the Councils reporting timetable.</p> <p>Management response:</p> <p>The Council will seek to address this issue through negotiation with the relevant associated entities as part of the preparations for the 2016-17 annual accounts process.</p> <p><i>Responsible Officer: George Murphy, Corporate Accounting Team Leader</i></p> <p><i>Target Date: March 2017</i></p>
<p>4 Monitoring of the PBB Programme</p> <p>Recognising the financial pressures facing all Local Authorities, Council officers should continue to monitor the delivery of their PBB programme and flex this where required, depending on future LG financial settlements.</p> <p>Risk</p> <p>PBB savings may not be sufficient to address potential financial gaps or may not be delivered</p>	Medium	<p>We recommend that Council officers continue to closely monitor delivery of their PBB programme and consider the use of scenario planning to model the impact on savings targets of a range of settlement options.</p> <p>Management response:</p> <p>Monthly progress updates towards meeting PBB savings targets are reported to the Strategic Transformation Board. Where shortfalls in PBB savings are anticipated, management action is taken to identify further options to bridge any savings gaps.</p> <p><i>Responsible officer: Jim Boyle, Chief Finance Officer</i></p> <p><i>Target Date: February 2017</i></p>

Issue and risk	Priority	Agreed action
<p>5 Interest payable rates</p> <p>Our analysis of the Audit Scotland database comparatives highlighted that Stirling are in the top quartile for average interest rates.</p> <p>Risk</p> <p>There is a risk that the Council is not receiving best value in this area</p>	<p>Medium</p>	<p>We suggest that current treasury management arrangements are considered to ensure that best value is being received in this area.</p> <p>Management response:</p> <p>Officers will continue to seek expert advice on opportunities for reducing the overall cost of financing the council’s external debt portfolio. Such opportunities will be reported to the Finance & Economy and the full Council.</p> <p><i>Responsible officer: Linda Devine, Capital & Treasury Management Accountant</i></p> <p><i>Target Date: Ongoing</i></p>
<p>6 Workforce Planning</p> <p>Our review of workforce planning following the Audit Scotland return identified some areas for further consideration by Council officers:</p> <ul style="list-style-type: none"> • The workforce plan lacked formal review of good practice and annual plans for best practice against the sector • Budgets are prepared based on PBB which identifies a range of options and impact but no formal scenario planning in place. <p>Risk</p> <p>Workforce planning at the Council may not be fully reflective of recommended practices, and clearly linked to Council financial plans.</p>	<p>Low</p>	<p>We recommend that management review the main points raised and make amendments as required.</p> <p>Management response:</p> <p>Consideration will be given to the points made in respect of the workforce plan. Management acknowledge the need to continue to review and further develop the Workforce Plan in line with the longer-term financial strategy. As future iterations of the Plan are produced, it will be aligned with Priority Based Budgeting and other key strategic plans.</p> <p><i>Responsible officer: Kristine Johnson, Chief Officer – HR and OD</i></p> <p><i>Target Date: February 2017</i></p>
<p>7 Audit Committee Quorate Issues</p> <p>The number of members on the Audit Committee should be re-reviewed to ensure of a sufficient size and that all meetings are quorate. Audit Committee members should, as far as possible, give notice to the Clerk and Convenor if they are unable to attend so a suitable substitute can be identified.</p> <p>Risk</p> <p>The overall effectiveness of the scrutiny provided by the Audit Committee may be reduced if not quorate or sufficient review of papers by all members has not taken place.</p>	<p>Medium</p>	<p>We recommend that Audit Committee membership is revisited and amendments made to the membership as required.</p> <p>Management response: Changes to the membership and associated quorum for the Audit Committee would, in the usual way, be for the full Council to agree. The importance of avoiding unexpected absences from the committee will be discussed with the Convenor and Committee members so this does not occur again. Possible changes to the membership and quorum for the Audit Committee will also be explored.</p> <p><i>Responsible officer: Iain Strachan, Chief Governance Officer</i></p> <p><i>Target Date: May 2017</i></p>
<p>8 Scrutiny and training of Audit Committee</p> <p>From our attendance at the AC during the year, we note that the level of scrutiny is not always consistent and the number and detail of the questions vary. Members may benefit from further training and this is something that could be built into future elected member training programmes.</p> <p>Risk</p> <p>Overall governance may be reduced, and the Audit Committee may not effectively scrutinise key aspects of the Council’s overall control environment.</p>	<p>Medium</p>	<p>We recommend that the Council should consider the skill mix within the Audit Committee and any training needs and arrange relevant training for any identified gaps.</p> <p>Management response:</p> <p>The role of members on committees will be picked up as part of a wider member development programme following the forthcoming local government election, and this will include the need for sufficient levels of scrutiny by committees.</p> <p><i>Responsible officer: Iain Strachan, Chief Governance Officer</i></p> <p><i>Target Date: May 2017</i></p>

Issue and risk	Priority	Recommendation
<p>9 Continue to review evolving risks and challenges</p> <p>Internal audit should continue to review and reflect on the Councils changing risks and challenges to ensure that the internal audit programme continues to provide the necessary assurances over the control environment, as well as supporting the council in eliminating inefficient controls</p> <p>Risk</p> <p>Internal audit plans may not be fully aligned to the key challenges facing the Council, or may not be focused in on the areas of greatest risk.</p>	<p>Medium</p>	<p>Internal audit should continue to review and reflect on the overarching risks and challenges facing the Council and aligning their work accordingly.</p> <p>Management Response:</p> <p>Internal Audit will continue to identify, understand and take account of the key risks and challenges facing the Council when developing its annual and strategic audit plans. The approach taken will continue to be clearly articulated in the Internal Audit Annual Risk Assessment & Plan, which will continue to be presented to the Audit Committee for approval.</p> <p><i>Responsible officer: Kevin O’Kane, Service Manager - Audit</i></p> <p><i>Target Date: Ongoing</i></p>
<p>10 Implementation of Internal Audit Recommendations</p> <p>We note that there were 32 internal audit recommendations that were noted as overdue as at the May 2016 meeting.</p> <p>Risk</p> <p>There is a risk that the Council are not appropriately responding to points raised within the internal audit reviews and clearing these on a timely basis, exposing the organisation to continued risk.</p>	<p>Low</p>	<p>The Council officers should ensure that appropriate arrangements are in place to ensure that internal audit recommendations are responded to and cleared on a timely basis.</p> <p>Management Response:</p> <p>Internal Audit will continue to ensure that reports are regularly provided to the Corporate Management Team and to the Audit Committee, which identify progress made by Services with their implementation of agreed recommendations from Internal Audit reports, the reasons for any delays or issues with implementation, and Services proposals to resolve these, if necessary, to ensure agreed actions are cleared on a timely basis.</p> <p><i>Responsible officer: Kevin O’Kane, Service Manager - Audit</i></p> <p><i>Target Date: Ongoing</i></p>
<p>11 Elected member training</p> <p>During the year there have been a number of training sessions for elected members, however some of those have had low attendance.</p> <p>Risk</p> <p>Elected members may not make the most of any training sessions offered to them, which could adversely impact on the effectiveness of scrutiny.</p>	<p>Medium</p>	<p>Going forward, Officers should engage further with elected members on the training and/or information sessions they feel they would benefit from, scheduling these well in advance to ensure reasonable attendance.</p> <p>Management response:</p> <p>Officers will continue to work closely with elected members to provide training opportunities as and when required.</p> <p><i>Responsible officer: Iain Strachan, Chief Governance Officer</i></p> <p><i>Target Date: Ongoing</i></p>

Appendix C: Follow-up of prior year actions

Set out below is our follow up of the 2014/15 Annual Report to members recommendations.



Recommendation	Priority	Follow up
<p>1 Future accounting considerations — Infrastructure assets The change in accounting for infrastructure assets will have a significant impact on the Council's balance sheet. Finance should continue to consider the implication of this change, with a view to considering the balances for 2015/16 and we will continue to work proactively with Finance in this area.</p>	Medium	<p>In progress: We have reviewed the arrangements in place in preparation for this inclusion in the 2016/17 balance sheet and our view was that the Council is making reasonable progress in this area.</p>
<p>2 Reserve Levels Year on year the Council increased its reserves in 2014/15 but there is a risk that the reserves built up might not support the medium to longer term financial plans of the Council. As part of the financial planning process, the Council should consider a threshold for reserves held and how reserves are to be split.</p>	Low	<p>Implemented: Reserves position increased for both usable and unusable reserves in 2015/16. Uncommitted balances represented 4.9% of the general fund budget exceeding the target level of 2-2.5%.</p>
<p>3 Alignment of Management Structure and Committee Structure The Council has streamlined its leadership structure so would be a good time to re-review the Committee structure to confirm that Committee remits are still fit for purpose and allow effective decision making.</p>	Medium	<p>In progress: Given the local government elections in May 2017, any overarching review of the Council's committee structure would be something for the next Council to be consulted upon. In the meantime the current committee remits were the subject of review in December 2015 and re-approved by full Council as part of the annual review of governance arrangements</p>
<p>4 Review of the effectiveness of the Audit Committee The Audit Committee members attended a session with the external auditor to discuss where improvements could be made. An action arising from this session was that going forward the Audit Committee could prepare an annual report including an assessment of its effectiveness in year. This would be in line with good practice and help ensure compliance with <i>CIPFA Audit Committees: Practical Guidance for local authorities</i></p>	Low	<p>Implemented: This work has been completed and will report to the September 2016 Audit Committee. We have reviewed the draft document circulated at pre-agenda and noted no significant issues arising.</p>

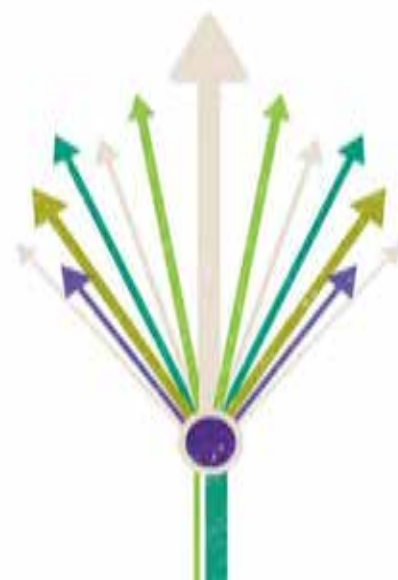
Recommendation	Priority	Follow up
<p>5 ALEO review Now the Council has in place clear governance arrangements for ALEO's, it is recommended in the future they may wish to consider the outcomes being delivered by the ALEO's and whether the arrangement is still effective and continues to demonstrate best value.</p>	<p>Medium</p>	<p>In progress: Since his appointment in July 2015, the Chief Governance Officer has been leading on a review of the current ALEO governance arrangements. This has included regular reporting to the Council Management Team and a cross-service working group being established to review services' compliance with the Council's approved ALEO governance procedures. Going forward there will be more regular reporting to committees on ALEO performance, to ensure increased transparency for elected members/the public and also ensure their outputs align with the Council's strategic objectives. This will also include an annual ALEO overview report to the Audit Committee. Specific training has also been set up for both elected members and officers on aspects of ALEO governance, including the legal duties of directors/trustees, and training around internal audit/governance arrangements.</p>
<p>6 Follow-up of National Fraud Initiative matches The Council identified 826 recommended matches as part of the National Fraud Initiative exercise. The Council has investigated 183 (22%) of the recommended matches.</p>	<p>Low</p>	<p>Implemented: We noted that 97% of matches are complete and resolved, and that the remainder have been referred to DWP / SFIS. This represents strong progress against this recommendation.</p>
<p>7 SOA reporting arrangements to be refined in 2015/16 Monitoring of the performance against the SOA at a Council level has been limited in 2014/15. However, the Council and the CPP have committed to improving arrangements going forward.</p>	<p>Low</p>	<p>Implemented: Community Planning and Regeneration Committee are now provided with reports on community planning activity at every meeting. This includes: an overview of community planning Leadership group activity and progress towards SOA outcomes, new developments such as the new Community Justice Bill and updates on progress within the community test sites. An annual report on the performance of the CPP is also published, with the 2015/16 report due to be published in November 2017.</p>
<p>8 Public Performance Reporting could be improved to reflect best practice Stirling Council achieved full reporting compliance with 16 out of 18 priorities in the Statutory Performance Indicators. There was scope for improvement over procurement and criminal justice social work indicators, as identified by the Accounts Commission.</p>	<p>Low</p>	<p>Implemented: A workplan was developed that addressed both the areas for improvement and the need to update public performance information for all areas. We note significant improvement against the two areas previously highlighted.</p>

Appendix D: Compliance with statutory duties

We have reviewed the Council's compliance with the Local Authority Accounts (Scotland) Regulations 2014 and have monitored compliance against the key aspects below.

Aspect of the regulations	Compliance	Status
The Chief Financial Officer must ensure that the annual accounts give a true and fair view of the authority (and its group's) financial position and transactions.	Complied - signed off within unaudited accounts on 26 May 2016, and final audited accounts on 1 September 2016.	✓
The Chief Financial Officer must certify and submit the annual accounts to the appointed external auditor no later than 30 June 2016.	Complied – submitted 26 May 2016.	✓
The Council must publish the unaudited annual accounts on the website of the authority until the date on which the audited annual accounts are published.	Complied – unaudited accounts are available on the website.	✓
The Council (or a committee whose remit includes audit or governance) must consider the unaudited accounts at a meeting by 31 August.	Complied – presented to Audit Committee on 26 May 2016.	✓
The Council must give public notice of the right of interested persons to inspect and object to its accounts.	On track – will be notified when final accounts are signed	
The Council (or a committee whose remit includes audit or governance) must aim to approve the audited annual accounts for signature no later than 30 September 2016.	Complied- presented to Audit Committee on 1 September 2016 for approval.	✓

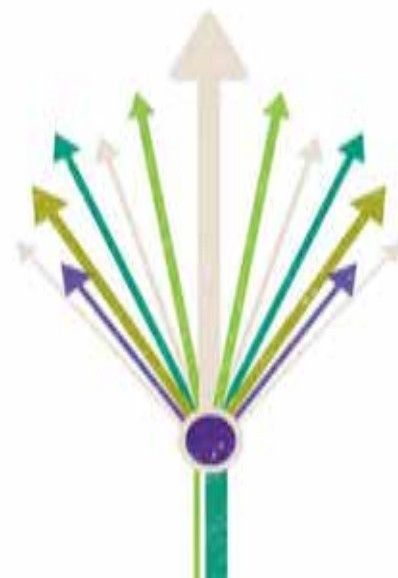
-  Fully compliant at date of this report
-  On track to comply



Appendix E: Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards to communicate to those charged with governance.

Issue	Commentary
<p>1 Written representations</p>	<ul style="list-style-type: none"> • A letter of representation was requested from the Council • In particular, representations were requested from management in respect of: <ul style="list-style-type: none"> – significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable, for example PPP. – responsibility for the design and implementation of internal control to prevent and detect error and fraud – related party relationships and transactions being appropriately accounted for and disclosed in accordance with the requirements of the CIPFA Code – all events subsequent to the date of the financial statements and for which the CIPFA Code and International Financial Reporting Standards requires adjustment or disclosure having been adjusted or disclosed
<p>2 Disclosures</p>	<ul style="list-style-type: none"> • Our audit work identified no material omissions in the financial statements
<p>3 Matters in relation to fraud</p>	<ul style="list-style-type: none"> • We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
<p>4 Matters in relation to laws and regulations</p>	<ul style="list-style-type: none"> • We are not aware of any significant incidences of non-compliance with relevant laws and regulations
<p>5 Matters in relation to related parties</p>	<ul style="list-style-type: none"> • We are not aware of any related party transactions which have not been disclosed
<p>6 Going Concern</p>	<ul style="list-style-type: none"> • We have considered managements assessment of going concern. Our work has identified no significant issues in relation to going concern
<p>7 Independence</p>	<ul style="list-style-type: none"> • We confirm that there are no significant facts or matters that impact on our independence.



Appendix F- Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Stirling Council (including grant certification)	261,000	261,000
Charitable Trusts Audit	3,000	3,000
The Thomas Brittain Trust Audit	1,000	1,000
Total audit fees	265,000	265,000

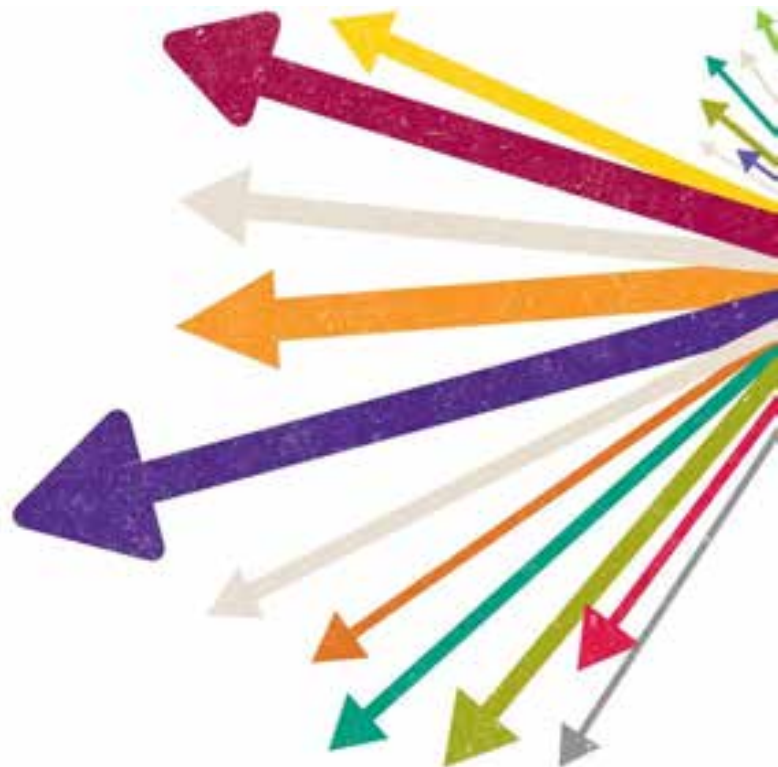
Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.





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