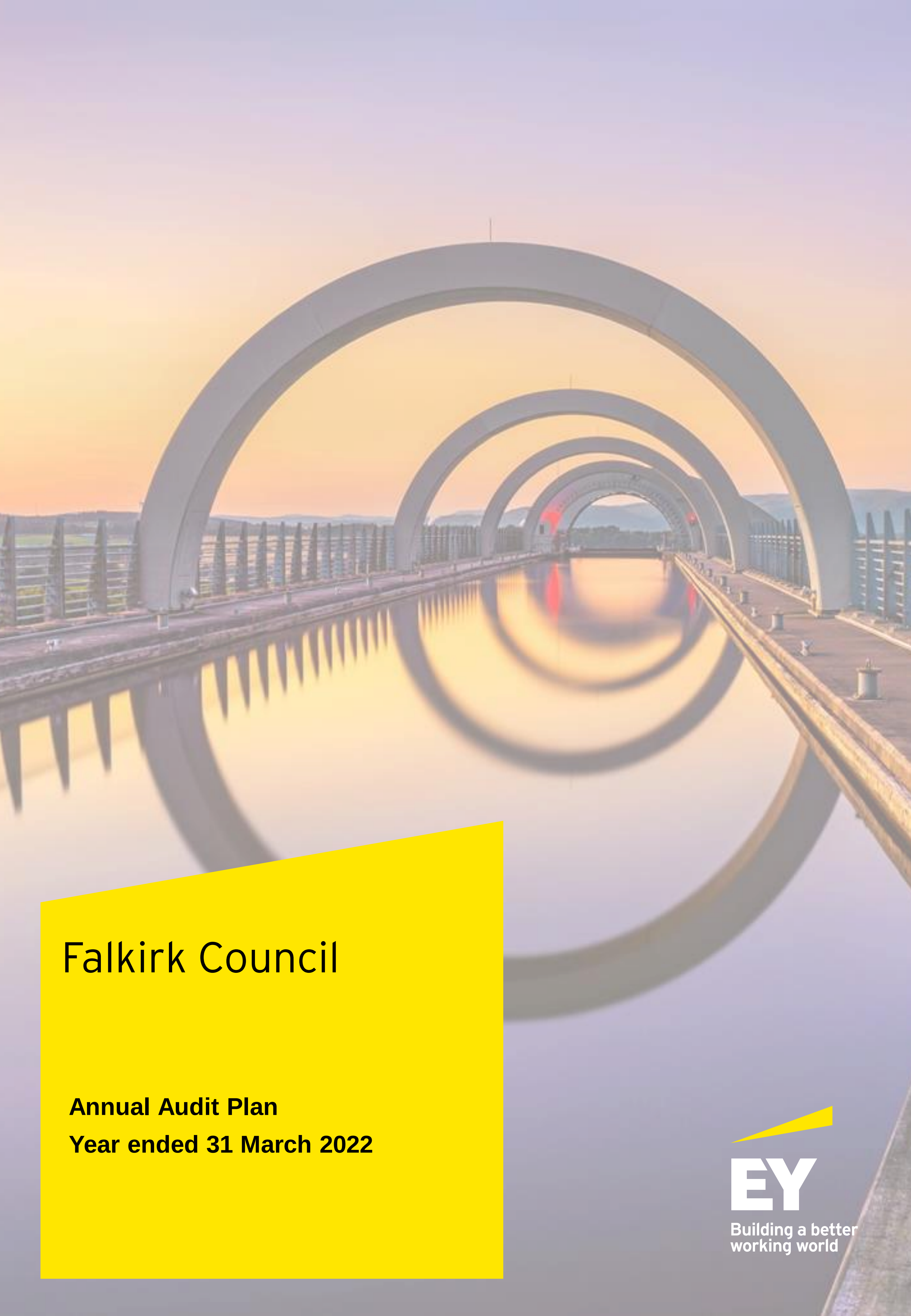

Falkirk Council

Annual Audit Plan

Year ended 31 March 2022

Contents

About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Falkirk Council (the Council) for financial years 2016/17 to 2020/21. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the Council and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1 Executive summary

Our key contacts:

Stephen Reid
Partner
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Grace Scanlin
Senior Manager
grace.scanlin@uk.ey.com

Our independence:

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as your external auditor.

Purpose of our plan

The Accounts Commission appointed EY as the external auditor of Falkirk Council ("the Council") for the five year period to 2020/21. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22.

This Annual Audit Plan, prepared for the benefit of Council management and the Audit Committee, sets out our proposed audit approach for the audit of the financial for the year ended 31 March 2022, the sixth year of our appointment. In preparing this plan, we have updated our understanding of the Council through planning discussions with management, review of relevant documentation and committee reports, and our general understanding of the environment in which the Council is currently operating.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where processes can be improved. We use these insights to form our audit recommendations to support the Council in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. These are highlighted throughout our reporting together with our judgements and conclusions regarding arrangements.

We are mindful that as a result of the pandemic, planning guidance from Audit Scotland or additional risks arising, may change the areas of audit focus for 2021/22. Any material changes to this plan will be reported to the Audit Committee. After consideration by the Council's Audit Committee, the finalised plan will be provided to Audit Scotland and published on their website.

Scope and Responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the Council and the auditor, more details of which are provided in Appendix A.

Financial statement audit

We are responsible for conducting an audit of the Council's financial statements. We provide an opinion as to:

- whether they give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the Council and its group as at 31 March 2022, and of the income and expenditure of the Council and its group for the year then ended;
- whether they have been properly prepared in accordance with the IFRSs, as interpreted and adapted by the 2021/22 Code; and
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

Materiality

Materiality levels have been set at the planning stage of the audit as follows:

Planning Materiality	Tolerable Error	Nominal amount
£12.2 million	£ 9.1 million	£250,000
2% of the Council's gross expenditure	Materiality at an individual account level	Level that we will report to committee

Based on considerations around the expectations of financial statement users and qualitative factors, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit, as well as an assessment around the Council's arrangements for securing Best Value. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- Financial management;
- Financial sustainability;
- Governance and transparency; and
- Value for money

Our audit work over the wider scope audit dimensions complements our financial statements audit. We have updated our understanding of the risks impacting the Council through discussions with management, review of relevant committee reports, and our knowledge of the local government environment.

Audit Risk Dashboard

Key Financial Statement Risks

Significant Risk: Risk of fraud in revenue and expenditure recognition	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. During 2021/22, we will consider the impact of additional Covid-19 grant income streams that the Council has managed to support the response to the pandemic.
Fraud Risk: Misstatement due to fraud or error	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Inherent risk: Valuation of property, plant and equipment	The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Valuation of pension assets and liabilities	Accounting for the Local Government Pension Scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts, the assumptions underlying fair value estimates, and the valuation of the Council's share of scheme assets and liabilities at the year end.

Wider Scope Risks

Financial Sustainability: Financial position	The Council's initial planning for its next medium term financial plan has identified a potential additional savings gap requirement between 2022/23 and 2025/26 of £50.4 million. The Council recently approved the revenue budget for 2022/23. Difficult decisions were required to bridge a gap of £29 million, and as a result service savings of over £5 million were identified. The Council also agreed to use £5 million of general reserves. This will deplete reserves to the lower limit agreed within the Reserves Strategy and will offer less options to the new Council as it agrees future business and financial plans. There is a continuing risk around delivery of the savings required to meet revenue budget gaps, and the impact financially and operationally on the Council should it fail to deliver both in 2022/23 and over the course of its MTFP. These factors continue to be exacerbated by Covid-19. Financial pressures of this scale will require ongoing monitoring and reassessment of possible required mitigating actions for the foreseeable future.

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Local Government developments

The Falkirk LAN will meet in spring 2022. The most recent Falkirk Scrutiny Plan highlighted no significant risks. Any changes emerging as a result of the LAN meeting will be communicated to the first meeting of the equivalent committee following the May elections. The up to date scrutiny programme is available on Audit Scotland's website: [Scrutiny improvement | Audit Scotland (audit-scotland.gov.uk)]

Introduction

In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the Council operates to inform our audit approach.

Scrutiny

A National Scrutiny Plan (NSP) was most recently published by the Accounts Commission (on behalf of the Strategic Scrutiny Group) in September 2019. The NSP summarises all planned and announced strategic scrutiny activity from September 2019 in each of Scotland's 32 councils. The plan was based on a shared risk assessment undertaken by a local area network (LAN), comprising representatives of all the scrutiny bodies who engage with the various councils.

As the appointed auditor of the Council, we act as the LAN lead for Falkirk Council shared risk assessment process. The Local Area Network (LAN) for Falkirk Council is expected to meet in April 2022 and will consider key aspects of performance outcomes, governance and partnership working as part of their assessment of the local authority. The LAN meeting will involve representatives of all the scrutiny bodies who engage with the Council. Where necessary, our audit planning will be updated to respond to any new areas of risk that impact the Council.

Political uncertainty

Continuing uncertainty exists around a number of factors in the foreseeable future including:

- **Covid-19 Pandemic:** although the pandemic continues to dominate the political environment, focus is shifting towards creating a sustainable long-term approach to living alongside Covid-19 and the potential lessons to be learned.
- **Scottish Local Government Elections:** Scottish elections are due to be held on 5 May 2022.
- **Scotland Independence Referendum**: there is continued uncertainty regarding whether another Scottish independence referendum will be held.
- **Developments in Ukraine:** the wider economic impact and other risks associated with the military action.

We will continue to monitor how the Council prepares for, and responds to, the implications of political factors throughout the audit year.

Accounts Commission Financial Overview

The Accounts Commission ("the Commission") published their Local Government in Scotland Overview 2021 report in March 2022. The report analyses the financial impact of the local government response to the pandemic and the wider risks that have emerged from this.

Key messages highlighted by this report included:

- Whilst councils' total funding and income increased by £1.8 billion (10 per cent) in 2020/21, this was mainly the result of additional Scottish Government Covid-19 funding of £1.5 billion. Excluding this councils have seen funding reduce, in real terms, by 4.2 per cent since 2013/14, with increasing amounts of funding ring-fenced to meet Scottish Government priorities.
- Whilst council reserves increased considerably, mainly due to late Covid-19 funding from the Scottish Government, this is committed to Covid-19 recovery. Other elements of councils' reserves are earmarked for economic recovery, transformation projects and, in some cases, balancing budgets. This limits councils' flexibility to respond to unforeseen challenges in the future.
- The long-term funding position for councils remains uncertain. There are significant challenges ahead as councils continue to respond to the impacts of Covid-19 on services, finances and communities. Councils must also address cost and demand pressures pre-dating Covid-19, as well as develop long-term plans with partners to address complex issues. This includes addressing child poverty, inequalities, improving economic growth and delivering Scotland's Net Zero ambitions.

Fiscal flexibilities

In October 2020 the Cabinet Secretary wrote to COSLA to confirm three financial flexibilities for local government with further details to be brought forward in further guidance:

- Use of capital receipts to fund revenue Covid-19 expenditure in 2020/21 and 2021/22.
- Loans fund repayment holiday in either 2020/21 or 2021/22.
- Extension of PPP and other similar contracts debt repayment periods to reflect asset life.

While there are ongoing discussions with Scottish Government regarding how some of the flexibilities are delivered, in the latest Projected Financial Positioning Report, a budgeted saving of £7 million has been attributed to the harnessing of fiscal flexibilities.

Independent Review of Adult Social Care in Scotland

In February 2021, the *Independent Review of Adult Social Care* report was published. It concluded that whilst there were strengths in Scotland's social care system it needed revision and redesign to enable a step change in the outcomes for the people in receipt of care. The review provided a number of high level areas of focus.

In response to this, the Scottish Government launched a consultation on a National Care Service between August and November 2021. The outcome of the consultation could have significant impact on the work of the Council and Falkirk IJB, including accountability and funding arrangements. As part of the 2021/22 audit, we will continue to liaise with management to understand any potential impact that this may have on partners in the short and medium term.

Social Care briefing paper

Audit Scotland published a briefing paper on Social Care on 27 January 2022 which summarises the key challenges and recent progress in social care in Scotland against a number of themes. The paper is intended to help inform the Scottish Government and stakeholders' immediate planning for social care alongside the longer-term plans for reform set out in the National Care Service consultation.

Key messages highlighted by the Auditor General included:

- There are huge challenges facing the sustainability of social care, with the pressures of increasing demand and demographic change growing.
- The workforce is under immense pressure.
- There are around 700,000 unpaid carers who provide most of the social care support in Scotland, with most not knowing their rights under the Carers (Scotland) Act 2016.
- Commissioning tends to focus on cost rather than quality or outcomes.
- Capacity and cultural differences are impacting leadership.

The briefing paper acknowledges the Scottish Government's plans for social care reform, stating "implementing reform will take significant work, but some things cannot wait".

Budget setting process 2022/23

The Scottish Budget for 2022 to 2023 was published on 9 December 2021, with the proposed Local Government Settlement set out in Finance Circular 9/2021. Additional non-recurring funding of a further £120 million was subsequently announced on 27 January 2022 for local authorities. Local Government Finance Circular 1/2022 was published on 2 March 2022 and provided further information on the local government finance settlement, including additional funding of £80 million for business support and low income household funding for 2021/22.

Falkirk Council met on 2 March 2022 to agree its budget for 2022/23. The Council agreed a balanced budget with revenue spending on services projected to be £298 million. A budget gap of £28.8 million was originally identified and reduced through:

- The identification of service savings of £5.2 million;
- Utilisation of an earmarked Covid reserve, created by harnessing fiscal flexibilities, of £5.3 million;
- Treasury management savings of £4.7 million from the revised approach to the loans fund repayments;
- Use of General Fund Reserves of £5.0 million;
- Increasing council tax by 4%.

We will consider the Council's approach to budget setting as part of our wider scope work on Financial Management.

Increasing expectations relating to Climate Change

Public interest in climate change is increasing. Scotland has set a legally binding target of becoming net zero by 2045, five years earlier than the rest of the UK, and has set several interim targets including a 75 per cent reduction in greenhouse gas emissions by 2030. In March 2022, Audit Scotland published a briefing (available on Audit Scotland's website) to draw out key themes and recommendations for public bodies in Scotland. The recommendations were compiled from a series of key reports, including those from Scotland's Climate Assembly and Committee on Climate Change.

The briefing recognises that climate change planning needs to happen collaboratively both nationally and across sectors, including local government. Climate change plans need innovative thinking to address the inherent tension between doing things thoroughly and doing things quickly. We remain mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks are likely to be increasingly relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

Sustainability is one of the areas of focus under our programme of Best Value coverage for 2021/22. As a result, we will focus on climate-related risks as part of our wider understanding of the Council and its environment. We will consider the impact of specific climate risks as part of our risk assessments and our annual reporting.

3 Financial statements: Our approach and significant risks identified

Introduction to section

The Annual Accounts enables the Council to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

Audit Opinion

We are responsible for conducting an audit of the financial statements of the Council. We will provide an opinion on the financial statements as to:

- whether they give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the Council and its group as at 31 March 2022, and of the income and expenditure of the Council and its group for the year then ended;
- whether they have been properly prepared in accordance with the UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code;
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published by the Council along with its financial statements.

Audit Approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements.
- Reading other information contained in the financial statements, including that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.
- Substantive tests of detail of transactions and amounts. For 2021/22 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements.

Materiality Level	Rationale
Planning Materiality £12.2 million	**Planning materiality (PM)** – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2021/22 has been set at £12.2 million (*2010/21: £12.8* million). This represents 2% of the Council's prior year gross expenditure on provision of services, excluding IJB gross-up of income and expenditure. We have derived this figure following our assessment of risk factors impacting the Council in 2020/21.
Tolerable Error £9.1 million	**Tolerable error (TE)** – materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £9.1 million (*2020/21: £9.6 million*) which represents 75% of planning materiality. This level reflects our prior year audit experience in the preparation of the 2020/21 financial statements.
Summary of Audit Differences £250,000	**Summary of Audit Differences (SAD) Nominal amount** – the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly we determine it is appropriate to use lower levels of materiality for some areas of the financial statements, including:

- Remuneration report - given the sensitivity around the disclosure of senior staff remuneration we apply a lower materiality threshold to our audit consideration around the remuneration report and related disclosures.
- Related party transactions – which are considered material when they are material to either party in the transaction. We do not apply a specific materiality but consider each transaction individually.

Covid-19 Pandemic - Impact on Financial Statements

We outlined in previous reports how the impact of Covid-19 significantly impacts both the financial statements preparation and audit process, and continues to do so:

- The governance statement should capture how the control environment has changed during the period of the pandemic, and steps being taken by the Council to maintain a robust control environment during the disruption.
- The management commentary should clearly summarise the impact of Covid-19 on both the financial performance and future planning, and the impact on key statutory performance indicators.
- Significant events after the balance sheet date require to be disclosed within the financial statements, either through the post balance sheet events note or in specific accounting notes or the management commentary and governance statement.

Accounting policies

2020/21 was the first financial year where the impact on accounting transactions was seen in the financial statements. Covid-19 will continue to have a potentially material impact on the financial statements, including how the Council accounts for significant income and expenditure. Any specific government support may qualify as a new transaction stream and require development of new accounting policies.

Impact on Audit Process

The deadline for local government audits has been set for October 2022 reflecting the ongoing and severe impact that the pandemic has had on both Council finance teams and audit timescales.

Audit Scotland has set its reporting deadline for local government bodies in 2021/22 at 31 October 2022. These deadlines will continue to be reviewed through the year as circumstances change, however the Financial Reporting Council and Audit Scotland have made clear that any deadlines are secondary to the primacy of audit quality and ensuring completeness of work regardless of the environment in which audit takes place.

We have outlined the planned timing for the key deliverables of the audit process in Appendix D. We intend to take a hybrid approach to the 2021/22 audit with a blend of on-site and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit in 2021/22 under review.

Significant Risks

We set out below the significant risks identified for 2021/22, along with the rationale and expected audit approach. The risks identified may change to reflect any significant findings or subsequent issues we identify during the audit.

1. Risk of fraud in income and expenditure recognition, including through management override of control

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which means we also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Significant risks identified in the audit relate to the risk of fraud in income and expenditure recognition. We also perform procedures in all audits to respond to the risk of misstatement due to fraud or error caused by management override of controls.

We will report our findings in these areas within our 2021/22 Annual Audit Report.

We consider there to be a specific risk around income and expenditure recognition through:

- Incorrect income and expenditure cut-off recognition to alter the Council's financial position around the financial year end.
- Incorrect recognition applied to grant income with performance conditions.
- Incorrect capitalisation of revenue expenditure.

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account.

Accordingly, we have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax and non-domestic rate income. With regards to expenditure we have rebutted the risk of improper recognition of payroll, depreciation, and financing and investment expenditure.

Work we will perform:

- Identifying fraud risks during the planning stages.
- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud and consideration of the effectiveness of controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Review and challenge management on any accounting estimates on income or expenditure recognition for evidence of bias.
- Review Covid-19 related income streams; challenge the judgements of whether to account for schemes as 'agent' or 'principal' and whether income recognition criteria are satisfied.
- Focused and extended substantive testing of related income and expenditure transactions where we have identified a significant risk.
- Testing of income and expenditure cut-off treatment around the year end.
- Review a sample of expenditure transactions recorded in the ledger and payments made from bank accounts post year-end and confirm that the associated expenditure has been recorded in the correct period.
- Assess and challenge manual adjustments / journal entries by management around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.
- Develop a testing strategy to test material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified.

2. Misstatement due to fraud or error

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

In prior years we identified some audit adjustments which were material to the financial statements in relation to the Council's areas of estimate and judgement. These include the accounting for the Council's property, plant and equipment balances. The nature of the adjustments means we did not identify a specific attempt to alter the financial position of the Council, and through our planning procedures we have not identified a specific account where the risk of management override is higher than generally throughout the financial statements.	Work we will perform: ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud, including any controls in place to manage the awarding of Covid-19 related grants and reliefs. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. ▶ Specific focus on the accounting for any identified key areas of judgement and estimates in the financial statements.

Other areas of focus: Inherent risks

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report

1. Valuation of Property, Plant and Equipment

The fair value of PPE represents a significant balance in the Council's financial statements (2020/21 PPE totalled over £1.2 billion) and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded on the balance sheet.	During 2020/21, the most significant proportion of the estate being valued by the Council's valuers relate to social work assets. The work we will perform includes: ▶ Assessing the work performed by the Council's external valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. ▶ Involving EY internal specialists to challenge the work performed by the Council's valuers, where appropriate. ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre). ▶ Review the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for investment properties. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer. ▶ Test assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated. ▶ Examine changes to useful economic lives as a result of the most recent valuation. ▶ Test accounting entries have been correctly processed in the financial statements.

2. Valuation of pension assets and liabilities

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Falkirk Pension Fund.

The information disclosed is based on the IAS 19 report issued by the Council's actuary.

The Council's net pension liability, measured as the sum of the long term payments due to members as they retire against the Council's share of the Falkirk Pension Fund investments, is a material balance in the Council financial statements. At 31 March 2021 the net liability totalled £410 million.

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Work we will perform:

- Liaise with the auditor of Falkirk Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council and confirm joint assurances in respect of employer and employee contributions in the year.
- Engage our actuarial specialists to assess the work of the actuary (Hyman Robertson), including the assumptions they have used and their assessment of the liability due to recent legal rulings for McCloud and Goodwin.
- Relying on the work of PWC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies.
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
- Require an updated IAS19 report in July to ensure that there have been no material movement in the value of pension fund assets between the initial IAS19 report, and the signing of the financial statements.

Other audit considerations

We also plan and perform certain general audit procedures on every audit which may not be directly related to financial statement account assertions. Examples of such procedures includes compliance with applicable laws and regulations, litigation and claims and related parties.

Implementation of IFRS 16

The Financial Reporting Standard IFRS 16 Leases, will currently become effective for local authorities from 1 April 2022 to replace the existing IAS 17.A recent emergency consultation has supported a further delay to implementation.

When implemented, IFRS 16 is expected to have significant practical and financial impact for local authorities due to the prevalence of leasing in local government and the risk that the changes could have a budgetary impact if not managed effectively.

Although IFRS 16 does not come into effect until 1 April 2022, the Code of Practice on Local Authority Accounting requires local authorities to disclose information relating to the impact of the accounting change, where a new standard has been published. An Appendix to the 2021/22 Code sets out the changes agreed by CIPFA/LASAAC in relation to the adoption of IFRS 16. The guidance also covers the transitional arrangements for moving to these new requirements.

Subject to any further revisions to the Code, we will review the Council's preparations for implementation of IFRS 16 Leases. In particular, we will assess the Council's arrangements to consider:

- All leases which need to be accounted for;
- the costs and lease term which apply to the lease;
- the policy choices adopted by the Council;
- the value of the asset and liability to be recognised as at 1 April 2022 where a lease has previously been accounted for as an operating lease;
- the ongoing accounting arrangements/models to ensure that the initial recognition and subsequent measurement of rights of use asserts and associated liabilities are properly accounted for; and
- whether there is a system in place to distinguish between remeasurements and modifications of a lease.

We will consider the adequacy of the Council's disclosure in the financial statements and reasonableness of the impact estimated by management.

Emergency consultation on the CIPFA/LAASAC Code for 2021/22 and 2022/23

As noted above, CIPFA/LASAAC are conducting an emergency consultation on the Code for both 2021/22 and 2022/23 which closed on 3 March 2022. Changes are being considered with the aim of alleviating delays to the publication of audited financial statements and include:

- An adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year). This approach also explores the use of an index to be used to increase or reduce that valuation.
- Deferring the implementation of IFRS 16 Leases for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

Following the conclusion of the consultation, we will work with management to ensure appropriate consideration and implementation of any relevant amendments. Any revisions to our audit strategy as a result will be reported through our annual audit report.

Updates to the CIPFA/LAASAC Code for 2021/22

Changes have been made to the guidance notes issued by CIPFA/LAASAC on the Accounting Code for 2021/22;

- Amendments to the financial instruments section to reflect the change in the basis for determining contractual cashflows and additional disclosure requirements as a result of interest rate benchmark reform.
- Confirmation of the arrangements for the endorsement of standards arising because of the UK's withdrawal from the European Union.
- Amendments to the disclosure requirements of estimation uncertainties.

We do not currently consider that the above would result in a material impact to the Council. However, it is important that the Council ensures that it performs its own assessment of the impact in advance of preparation of the 2021/22 financial statements. We will assess management's implementation of this guidance as part of the 2021/22 audit.

Internal audit

We will review the internal audit plan and the results of internal audit's work, including the discussion of audit findings at the Audit Committee and management's response to findings. We will reflect the findings from internal audit reports, together with reports from any other work completed in the year, in our plan for the audit, where they raise issues that could have an impact on the financial statements or our wider responsibilities.

Use of specialists

When auditing key judgements, such as the valuation of property, plant and equipment, defined benefit pension scheme assets and liabilities, or certain assets and liabilities, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable.
- Assess the reasonableness of the assumptions and methods used.
- Consider the appropriateness of the timing of when the specialist carried out the work.
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Data analytics

Where possible and appropriate, we will use our bespoke data analysers to enable us to capture whole populations of your financial data, in particular covering journal entries and payroll transactions. These analysers help identify specific exceptions and anomalies within populations of data to focus substantive audit tests more effectively than traditional audit sampling.

We will obtain the financial data from both the general ledger and payroll system for 2021/22 as part of our testing strategy. We will report the findings of our work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee through the yearend audit reporting process.

Other assurance activity

Under the terms of our appointment we are required to undertake a number of other areas of audit activity. These include certifying authorities Whole of Government Accounts returns and certifying any applicable grant claims and returns such as the non-domestic rates return and housing benefits subsidy claim.

Anti-money laundering

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 came into force on 26 June 2017 and replace The Money Laundering Regulations 2007. The regulations impose an obligation on the Auditor General to inform the National Crime Agency if she knows or suspects that any person has engaged in money laundering or terrorist financing. As appointed auditor we will consider arrangements in place for the Council to identify and report any instances of money laundering in line with Audit Scotland reporting arrangements

Group financial statements

The Council has a number of non-consolidated interests in other entities. For the purposes of consolidation and incorporation within the Group financial statements the Council recognises subsidiaries including common good and trust funds. These entities are below the materiality threshold.

The Council has two subsidiaries, Falkirk Community Stadium Ltd and Falkirk Community Trust Ltd. Management has assessed that it exerts significant influence but not control over Central Scotland Valuation Joint Board and thinkWhere Ltd, and therefore these interests are deemed to be associates for the purpose of consolidation and incorporation within the Group financial statements. We note that Falkirk Community Trust Ltd is expected to be incorporated within the Council in April 2022, and that thinkWhere was disposed during the financial year.

The Falkirk Integration Joint Board (IJB) is identified as a joint venture and consolidated in accordance with the requirements of the Code. We have been appointed as auditor to Falkirk Integration Joint Board and will report separately on our audit of that entity.

The only significant component by size is the Council, which accounts for 99% of consolidated gross expenditure. There have been no specific risks identified that may indicate a component is significant by risk, as the IJB does not affect the transactions as such, only the nominal funding agreement in and out of the IJB.

We will also discuss with management their updated assessment in respect of other entities where the Council has a relationship, but at this stage, it has been assessed that consolidation has not been required.

Wider Scope Dimensions: Risk assessment and approach

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value.

The Code sets out the four dimension that comprise the wider scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money. The Accounts Commission has also set five strategic Audit Priorities in its 2019-24 strategy. In 2021/22 auditors are not specifically asked to consider and report on these through our audit work, however we will continue to consider them as part of our wider scope work through the year.

As part of our risk assessment procedures, we have reviewed each dimension to assess potential areas of risk. We set out our areas of focus, along with specific significant risks relating to each dimension below.

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

Best Value Assurance Report

The Council was the subject of a Best Value audit during 2020/21. The Council's Best Value Assurance Report (BVAR) was published in January 2022 following consideration by the Accounts Commission. In 2021/22, we will focus on any follow-up work of areas highlighted within the BVAR.

The Accounts Commission has indicated that the Council will be visited early in the next programme of Best Value reviews, likely to be in 2023. As a result, our Best Value work in 2021/22 will focus on following up the achievement of the improvement plan that was agreed in February 2022. As a result of work required to ensure that the remaining areas of the Best Value programme are assessed over the period of our appointment, a specific areas of focus will be in relation to the Council's approach to sustainability. Our updated plan of Best Value coverage is attached at Appendix C.

Financial Sustainability

Financial sustainability considers the medium and longer term outlook for the Council to determine if planning is effective to support service delivery. We focus on the arrangements to develop viable and sustainable financial plans.

In our 2020/21 reporting, we concluded that the Council continued to demonstrate good financial control overall of the in-year budget, with the exception of demand led pressures in Children and Family social services. However, we continue to identify concerns in relation to the strength of internal controls in procurement, although this is limited to one service responsible for the appointment of contractors. Additional audit procedures were required to allow us to conclude our 2020/21 audit. We concluded that the Council's capital planning arrangements do not support robust forecasting and monitoring. Overall, our work highlighted concerns about the status and capacity of the Finance function within the Council.

These factors continue to be significantly exacerbated by Covid-19. Financial pressures of this scale will require ongoing monitoring and reassessment of possible required mitigating actions for the foreseeable future.

Financial Position

The Council's initial planning for its next medium term financial plan has identified a potential additional savings gap requirement between 2022/23 and 2025/26 of £50.4 million. The Council recently approved the revenue budget for 2022/23. Difficult decisions were required to bridge a gap of £29 million, and as a result service savings of over £5 million were identified. The Council also agreed to use £5 million of general reserves. This will deplete reserves to the lower limit agreed within the Reserves Strategy and will offer less options to the new Council as it agrees future business and financial plans.

There is a continuing risk around delivery of the savings required to meet revenue budget gaps, and the impact financially and operationally on the Council should it fail to deliver both in 2022/23 and over the course of its MTFP. Our work in this area in 2020/21 will include:

- Consideration of the Council's updated medium term financial plans, including the risk assessment and delivery of savings options; and
- Assessment of the Council's plans to use fiscal flexibilities to ensure the plans are in accordance with Scottish Government guidance.

Financial management

The financial management dimension considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Other financial management work in 2021/22 will encompass:

- Assessment of the control framework with a focus on the prevention of fraud and irregularity, including in procurement;
- The Council's self-assessment of compliance against the CIPFA Financial Management Code;

- A focus on controls to mitigate the risk of fraudulent claims processed by, or on behalf of, the Council in relation to Covid-19 related support for communities and businesses;
- Continued focus on the Council's procurement arrangements, including the follow up of weaknesses identified in 2020/21; and
- Continuing monitoring of the Council's participation in the National Fraud Initiative, including notification of any failure to investigate matches by September 2021.

Treasury Management and the application of the Prudential Code are areas of increased focus across local government. In response to the recommendation of the UK Parliament's Public Accounts Committee and the substantial increase in commercial investment, CIPFA published revised Treasury Management and Prudential Codes in December 2021 following consultation periods. Both of these Codes became applicable with immediate effect, although local authorities can defer the reporting requirement until the 2023/24 financial year.

During 2020/21, we highlighted concerns in relation to capacity within the Council's wider finance team, and the potential impact of a change in Chief Financial Officer. We will continue to monitor this in 2021/22, including consideration of the Council's self-assessment against the mandatory CIPFA Financial Management Code.

Governance and Transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

In our 2020/21 Annual Audit Report we concluded that the key features of good governance are in place and operating effectively. While no significant risks have been identified, our work for the year will consider:

- Internal audit arrangements during 2020/21, including significant findings identified and the work done to address issues identified;
- The quality of reporting and information provided to key decision makers, and evidence of effective challenge and scrutiny;
- Following the public pound arrangements and decision-making;
- Implementation of the revised governance arrangements to respond the second national lockdown, ensuring appropriate transition arrangements were in place; and
- Progress in developing a revised programme of member training and support for the induction of new and returning councillors.

We would also note that a number of aspects of governance will be a key focus of the Best Value follow up work.

Value for money

We consider whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement. We continue to note that council services generally perform well compared to other Scottish councils.

The Council has responded to previous recommendations made in audit reports, and reiterated in the Best Value Assurance Report, about the effectiveness of public performance reporting. While we have not identified a specific significant risk in relation to value for money, we note that work is ongoing to ensure that the Council fully meets the requirements of the revised Statutory Performance Information Direction.

In April 2022, the services currently delivered by the Falkirk Community Trust will be brought back in-house. Our work in 2021/22 will therefore consider the arrangements to incorporate functions within Council services, and the Council's ability to demonstrate a focus on performance while achieving value for money.

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Appendices

A – Code of Audit Practice: responsibilities

B – Independence and audit quality

C – Best Value Programme of Coverage

D - Required communications with the Audit and Risk Committee

E – Timing and deliverables of the audit

F – Audit fees

G – Additional audit information

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance	Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.
Financial Statements and related reports	Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for: • preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation. • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures. • ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority. • maintaining proper accounting records. • preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body. • Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct / prevention and detection of fraud and error	Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Standards of conduct / prevention and detection of fraud and error	Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to: • such financial monitoring and reporting arrangements as may be specified • compliance with any statutory financial requirements and achievement of financial targets • balances and reserves, including strategies about levels and their future use • how they plan to deal with uncertainty in the medium and longer term • the impact of planned future policies and foreseeable developments on their financial position.
Best Value	Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

Appendix B: Independence Report

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence. ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as your external auditor.

Appendix C: Best Value Programme of Coverage

As 2021/22 is the final year of our audit appointment, we will ensure that the remaining areas of the Best Value programme are assessed, to allow us to handover to the successor auditor. Our specific areas of focus will be in relation to the Council's approach to sustainability.

Best Value Audit Coverage						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Vision and Leadership						
Sound Governance and Accountability						
Effective Use of Resources						
Partnership and collaborative working						
Community responsiveness						
Sustainability						
Fairness and equality						
Performance outcomes and improvement						

Appendix D: Required Communications

Required communication	Our reporting to you
Terms of engagement / Our responsibilities Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. Our responsibilities are as set out in our engagement letter.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Planning and audit approach Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Annual Audit Plan
Significant findings from the audit ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Annual Audit Plan Annual Audit Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	Annual Audit Report
Misstatements ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management	Annual Audit Report
Fraud ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud	Annual Audit Report
Consideration of laws and regulations ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Annual Audit Report or as occurring if material.

Required communication	Our reporting to you
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	No significant matters have been identified. Annual Audit Report or as occurring if material.
Independence Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Annual Audit Plan Annual Audit Report
Internal controls Significant deficiencies in internal controls identified during the audit	Annual Audit Report
Group audits ▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Annual Audit Plan Annual Audit Report
Representations We will request written representations from those charged with governance.	Annual Audit Report
Subsequent events Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.	Annual Audit Report
Material inconsistencies Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Annual Audit Report
Fee Reporting ▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Annual Audit Plan Annual Audit Report

Appendix E: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the Council, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2020/21 audit cycle.

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Audit Activity	Deliverable	Timing
Review progress of NFI exercise	Submit NFI Questionnaire	February 2022 (completed)
Onsite fieldwork, documentation and walkthrough of key accounting processes Scoping of wider scope work for year	Annual Audit Plan	Finalised by April 2022
Review of current issues impacting the Council	Quarterly current issue return submission	Quarterly
Review of reported frauds	Quarterly fraud return submission	Quarterly
Completion of Housing Benefits claim testing	Certified Housing Benefit subsidy claim	TBD: Guidance in April
Submit minimum dataset return to Audit Scotland	Return for financial overview	TBD: Guidance in May
Completion of Non-Domestic Rates return testing	Certified Non-Domestic Rates return	TBD: Guidance in May
Year-end substantive audit fieldwork on unaudited financial statements Conclude on results of audit procedures Issue opinion on the Council's financial statements	Whole of Government Accounts assurance statement to NAO (as required) Certify Annual Financial Statements Issue Annual Audit Report Submit minimum dataset return to Audit Scotland	Provisionally set at 30 October 2022 (anticipated completion in September 2022)

Appendix F: Audit fees

The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on '*Our Approach to setting audit fees*' (http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf).

Audit Fees (including VAT)	2021/22	2020/21
Component of fee:		
Auditor remuneration – expected fee	£202,270	£198,050
Additional audit procedures (note 1)	TBC	£72,000
Audit fee in relation to s106 Trust Fund	£2,500	£2,000
Audit Scotland fixed charges:		
Pooled costs	£21,080	£18,830
Performance audit and best value	£99,920	£99,680
Audit support costs	£10,800	£10,890
Total fee	TBC	£401,450

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year. Fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 10% above the level set, for example, where significant local issues require additional work to be undertaken.

We will continue to consider the impact of Covid-19 on the audit going forward. Should additional audit requirements arise we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Audit Committee within our Annual Audit Report.

Note 1

We have outlined areas of additional audit focus this year which are likely to have an impact on the expected fee, including the arrangements for administering Covid-19 grants, the implications of any further changes to the 2021/22 Code and follow up of the Best Value improvement plan.

Where further additional work is required, fees will be agreed with management and reported to the Audit Committee in our 2021/22 Annual Audit Report.

Appendix F: Additional audit information

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	► Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IJB's internal control. ► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ► Conclude on the appropriateness of the going concern basis of accounting. ► Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ► Read other information contained in the financial statements, the Audit & Risk Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and ► Maintaining auditor independence.
Purpose and evaluation of materiality	For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements. Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures. The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.
Audit Quality Framework / Annual Audit Quality Report	Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission. We support reporting on audit quality by proving additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: Quality of public audit in Scotland annual report 2020/21 | Audit Scotland (audit-scotland.gov.uk) EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: EY UK 2021 Transparency Report | EY UK

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