

## Standards, Audit and Risk Committee

Committee Room 2, Floor 5, Fife House, North Street,  
Glenrothes – Blended meeting



Tuesday, 29 April 2025 - 10.00 am

### AGENDA

Page Nos.

1. **APOLOGIES FOR ABSENCE**
2. **DECLARATIONS OF INTEREST** – In terms of Section 5 of the Code of Conduct, members of the Committee are asked to declare any interest(s) in particular items on the agenda and the nature of the interest(s) at this stage.
3. **MINUTE** - Minute of the meeting of the Standards, Audit and Risk Committee of 13 February 2025 3 – 5
4. **FIFE COUNCIL CHARITABLE TRUSTS - ANNUAL AUDIT REPORT AND AUDITED ACCOUNTS 2023-24** – Report by the Executive Director Finance and Corporate Services
  - (a) Report by the Executive Director, Finance and Corporate Services 6 – 8
  - (b) Fife Council and Charitable Trusts Annual Audit Report 2023-24 9 – 31
  - (c) Fife Council Charitable Trusts Annual Report and Accounts 2023-24 32 – 51
5. **AZETS - ANNUAL AUDIT PLAN FIFE COUNCIL 2024-25** – Report by the Head of Finance 52 – 104
6. **FINANCIAL BULLETIN 2023-24 - FIFE'S POSITION** – Report by the Head of Finance 105 – 148
7. **ISSUED AUDIT REPORTS** – Report by the Service Manager - Audit and Risk Management Services 149 – 157
8. **INTERNAL AUDIT PLAN PROGRESS REPORT** – Report by the Service Manager - Audit and Risk Management Services 158 – 167
9. **STANDARDS, AUDIT AND RISK COMMITTEE WORK PLAN** – Report by the Executive Director Finance and Corporate Services 168 – 175

**Members are reminded that should they have queries on the detail of a report they should, where possible, contact the report authors in advance of the meeting to seek clarification.**

Lindsay Thomson  
Head of Legal and Democratic Services  
Finance and Corporate Services

Fife House  
North Street  
Glenrothes  
Fife, KY7 5LT

22 April, 2025

If telephoning, please ask for:

Wendy MacGregor, Committee Officer, Fife House 06 ( Main Building )

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### **BLENDED MEETING NOTICE**

This is a formal meeting of the Committee and the required standards of behaviour and discussion are the same as in a face to face meeting. Unless otherwise agreed, Standing Orders will apply to the proceedings and the terms of the Councillors' Code of Conduct will apply in the normal way

For those members who have joined the meeting remotely, if they need to leave the meeting for any reason, they should use the Meeting Chat to advise of this. If a member loses their connection during the meeting, they should make every effort to rejoin the meeting but, if this is not possible, the Committee Officer will note their absence for the remainder of the meeting. If a member must leave the meeting due to a declaration of interest, they should remain out of the meeting until invited back in by the Committee Officer.

If a member wishes to ask a question, speak on any item or move a motion or amendment, they should indicate this by raising their hand at the appropriate time and will then be invited to speak. Those joining remotely should use the "Raise hand" function in Teams.

All decisions taken during this meeting, will be done so by means of a Roll Call vote.

Where items are for noting or where there has been no dissent or contrary view expressed during any debate, either verbally or by the member indicating they wish to speak, the Convener will assume the matter has been agreed.

There will be a short break in proceedings after approximately 90 minutes.

Members joining remotely are reminded to have cameras switched on during meetings and mute microphones when not speaking. During any breaks or adjournments please switch cameras off.

**THE FIFE COUNCIL - STANDARDS, AUDIT AND RISK COMMITTEE – BLENDED MEETING**

**Committee Room 2, Fife House, North Street, Glenrothes.**

**13 February 2025**

**10.00 am – 11.20 am**

**PRESENT:** Councillors Dave Dempsey (Convener), Tom Adams, David Alexander, Lesley Backhouse, John Beare, Aude Boubaker -Calder, Alycia Hayes, Gordon Pryde and Ann Verner.

**ATTENDING:** Eileen Rowand, Executive Director Finance and Corporate Services, Pamela Redpath, Service Manager - Audit and Risk Management Services, Shona Slayford, Audit Team Manager, Clare Whyte, Risk Management Team Leader, Jenna Hetherington, Risk Management Co-ordinator and Robert Norrie, Risk Management Co-ordinator, Audit and Risk Management Services; Sharon McKenzie, Head of Human Resources and Stevie Murray, Service Manager, Human Resources Service; John Mills, Head of Housing Services and Joy Fulton, Lead Officer - Private Housing – Housing Estates and Safer Communities, Housing Services; Pam Ewen, Head of Planning Service; Allan Barclay, Service Manager, Environment and Building Services; Shelagh McLean, Head of Education and Children's Services (Early Years and Directorate Support); Martin Kotlewski, Service Manager - Solutions and Service Assurance, BTS; Avril Sweeney, Manager (Compliance), Health and Social Care Partnership; Lindsay Thomson, Head of Legal and Democratic Services, Helena Couperwhite, Service Manager - Committee Services and Wendy MacGregor, Committee Officer, Legal and Democratic Services.

**APOLOGY FOR ABSENCE:** Councillor Al Clark.

**130. DECLARATIONS OF INTEREST**

No declarations of interest were submitted in terms of Standing Order No. 22.

**131. MINUTE**

The committee considered the minute of the meeting of the Standards, Audit and Risk Committee of 25 November 2024.

**Decision**

The committee approved the minute.

**132. ISSUED AUDIT REPORTS**

The committee considered a report by the Service Manager, Audit and Risk Management Services summarising findings from the Internal Audit Reports that had been finalised since the last meeting of the Standards, Audit and Risk Committee. Highlighted in the reports were any areas of concern and, if applicable, instances where Services were not taking appropriate action.

**Decision**

The committee noted the contents of the report and the summary of findings detailed at Appendix 1 – Summary of Audit Reports Issued.

**133. INTERNAL AUDIT PLAN PROGRESS REPORT**

The committee considered a report by the Service Manager, Audit and Risk Management Services providing an update on the progress towards delivering the 2023/24 and 2024/25 Internal Audit Plans.

**Decision**

The committee noted:-

- (1) the update on progress towards delivering the 2023/24 and 2024/25 Internal Audit Plans detailed at Appendix A - 2023/24 Internal Audit Plan – Progress Report and Appendix B - 2024/25 Internal Audit Plan – Progress Report;
- (2) an update from the Service Manager, Audit and Risk Management Services, highlighting reasons for the delay in delivering the Internal Audit Plans 2023/24 and 2024/25 and advising of steps taken which would improve delivery: and
- (3) the movement in status for each assignment since the last progress report presented to the Committee on 23 May 2024.

**134. RISK MANAGEMENT UPDATE**

The committee considered a report by the Service Manager, Audit and Risk Management Services providing an update on the Strategic Risk Register and the level of residual risk the Council was exposed to as of 22 January 2025.

**Decision**

The committee:-

- (1) noted the level of residual risk that the Council was exposed to as of 22 January 2025;
- (2) noted an update to the agenda pack at page number 24, at the column headed 22 January 2025 – the Likelihood verses impact scores had been amended at Strategic Risk Codes FC017, FC001 and FC016;
- (3) approved the Council's Strategic Risk Register detailed at Appendix A to the report; and
- (4) noted that further updates on Risk Management arrangements would be provided in line with the approved Policy and Strategy document.

*Councillor David Alexander joined the meeting during consideration of the above item.*



**135. STANDARDS UPDATE – ANNUAL REPORTS, HEARING OUTCOMES AND CONSULTATIONS**

The committee considered a report by the Head of Legal and Democratic Services advising that the Ethical Standards Commissioner for Scotland and the Standards Commission for Scotland had both published their annual reports for 2023/24 and reported on the findings of the annual reports relating to code of conduct investigations and hearings.

**Decision**

The committee noted:-

- (1) the Ethical Standards Commissioner for Scotland Annual Report for 2023/24, summarised in section 1 of the report;
- (2) the Standards Commission for Scotland Annual Report 2023/24 summarised in section 1 of the report);
- (3) that decisions of the Hearing Panel of the Standards Commission for Scotland (including the decisions to “do neither”) would continue to be monitored, and that appropriate reports and/or advice would be given to the Council if required (detailed in section 2 of the report);
- (4) that there had been one case, involving multiple respondents from Fife Council, where the Standards Commission had agreed with the Ethical Standards Commissioner that it was not proportionate to undertake a hearing and no further action would be required; and
- (5) that there had been one hearing which related to a former Fife Council Councillor in 2023/24, the outcome of which had been reported to full Council in September 2023 and to this Committee in January 2024.

**136. STANDARDS, AUDIT AND RISK COMMITTEE WORK PLAN**

The committee considered a report by the Executive Director of Finance and Corporate Services outlining the workplan for future meetings of the committee.

**Decision**

The committee:-

- (1) reviewed the content of the work plan, agreed it would be updated as required;
- (2) noted an update from the Convener on the unallocated section of the work plan, that the review of the overall Complaints Process, requested by the Cowdenbeath Area Committee, would be included in the Internal Audit Plan 2025/26 and would be removed from the work plan. The members of the Cowdenbeath Area Committee would be advised of the update.

29 April 2025

Agenda Item No. 4

## **Fife Council Charitable Trusts - Annual Audit Report and Audited Accounts 2023-24**

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Report by: Eileen Rowand, Executive Director of Finance and Corporate Services

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Wards Affected: All

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### **Purpose**

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This report contains the Audited Accounts for Fife Council Charitable Trusts for 2023-24, as well as the Annual Audit Report. The accounts were previously approved on 30 September 2024, subject to completion of the audit process. As part of the final audit work, Azets found an error relating to the allocation of interest on revenue balances that had a material impact on one Charitable Trust, resulting in the requirement to amend the accounts. Further detail can be found in paragraph 2.3. This report also provides a brief response to the External Auditor's report to Fife Council and the Controller of Audit.

### **Recommendation**

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It is recommended that Members approve the amended Audited Accounts for signature and note the report by Azets, the Council's External Auditors and the management responses.

### **Resource Implications**

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None.

### **Legal & Risk Implications**

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None.

### **Policy & Impact Assessment**

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None.

### **Consultation**

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None.

## 1.0 Background

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- 1.1. The Local Authority Accounts (Scotland) Regulations 2014 require the audited accounts for the Fife Charitable Trusts to be approved for signing by the Committee whose remit includes audit or governance functions. Once the accounts are approved the statements which form part of the Annual Accounts are then signed. In considering the accounts the Committee must consider a report by the appointed auditor.
- 1.2. The Council's External Auditor requires to communicate matters relating to the audit of the Financial Statements to those charged with governance of the organisation. The appropriate committee to consider governance within Fife Council is the Standards, Audit and Risk Committee.

## 2.0 Issues

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- 2.1 Fife Council has a good record of delivering Financial Statements which the Council's External Auditor agrees give a true and fair view of the Council's financial position and this year is no exception.
- 2.2 The auditor's opinion in relation to the financial statements for 2023-24 is unqualified and this means the auditor has concluded that the accounts give a true and fair view of the financial position of Fife Council Charitable Trusts, its income and expenditure for the year ended 31 March 2024 and that the accounts have been properly prepared in accordance with relevant legislation and accounting regulations.
- 2.3 The Fife Council Charitable Trusts accounts were previously approved by this committee at the meeting of 30 September 2024 subject to the conclusion of further audit work. This further audit work identified an error on allocation of income to seven of the Settlement Trusts which was deemed material to one of the Trusts and therefore the accounts have been amended and are required to be considered again for approval by this committee. Although one set of financial statements has been prepared for all Charitable Trusts, materiality has to be considered for each individual Trust. The net adjustment for prior years was £37.47, and £56.66 for 2023-24, a total of £94.13. As noted above, the error was deemed material to one of the Trusts, Buckhaven and Methil with a total adjustment, including prior years, required of £789.44. The adjustments can be found on Pages 8, 9, 10 and 13 of the amended accounts. Detail regarding the adjustment can also be found in the Audit Report on Pages 10, 13 and 14.
- 2.4 The auditor has identified one recommendation in 2023-24 relating to the Review of Working Papers. In addition to this, three recommendations have been brought forward from 2022-23 which are complete or partially complete. Details of all of the recommendations and management responses can be found in the Internal Controls section of the Annual Audit Report.

## 3.0 Conclusions

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- 3.1 In overall terms the audit report is positive, and the audit opinion is unqualified. Management have agreed actions in respect of all recommendations and will aim to implement in line with the stated timescales.
- 3.2 An amendment to the accounts was required following the conclusion of the audit process. This resulted in a net adjustment to the accounts of £37.47 in prior years and £56.66 in 2023-24.
- 3.3 Preparation of the Annual Accounts is one of the key outputs for the Finance and Corporate Services Directorate. I wish to record my thanks to staff across the Council who have contributed to this process. My thanks also go to Azets staff for their contribution to the process and for their willingness to work in partnership with Fife Council.

### Report Contact

Elaine Muir  
Head of Finance  
Fife House

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# Fife Council Charitable Trusts

**Audit findings report**  
**Year ended 31 March 2024**

April 2025



Fife Council  
Finance and Corporate Services  
Fife House  
North Street  
Glenrothes  
Fife  
KY7 5LT

Our ref: KAJO/ANFE/C-10007894  
29 April 2025

Dear Sirs

**Fife Council Charitable Trusts**  
**Audit findings for the year ended 31 March 2024**

This Audit Findings Report highlights the significant findings arising from the audit of the charitable trust funds administered by Fife Council for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by Fife Council management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, including those in respect of the preparation of financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Karen Jones.

Yours faithfully

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# Executive summary

## Audit overview

This table summarises the key findings arising from the external audit of the Fife Council Charitable Trusts administered by Fife Council for the year ended 31 March 2024.

<b>Audit opinion</b>	<p>The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment.</p> <p>The Council's charitable trusts are covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit. Each registered charitable trust has required a full audit since 2013/14.</p> <p>There are 43 Charitable Trusts, 30 of which are Settlement Trust Funds. Financial statements for all 43 registered charities have been prepared using the connected charities provision.</p> <p><b>Audit opinion</b></p> <p>Our independent auditor's report on the Fife Council Charitable Trusts Annual Report &amp; Financial Statements is unqualified.</p> <p>We have no matters to report regarding the adoption of the going concern basis.</p>
<b>Key audit findings</b>	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The Council had appropriate administrative processes in place to prepare the financial statements and the required supporting working papers.</p>



<b>Audit adjustments</b>	<p>We are required to communicate all potential adjustments, other than those considered to be clearly trivial, to management and to request that management corrects them. There are no audit differences identified which have not been corrected in the financial statements</p> <p>Our work identified one error within the allocation of income between seven of the Settlement Trusts, impacting the income and cash figures of these Trusts. The error identified was deemed to be material to one of the Trusts, Buckhaven and Methil.</p> <p>In understanding the scale of the error identified, we also identified that the same formula error was included, impacting the same Trusts, in the prior year. As the error was deemed material to the financial statements in both the current and prior year, this required correction to both the current years accounts, and restatement of the prior year comparative figures.</p>
<b>Accounting systems and internal controls</b>	<p>The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements 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 internal control.</p> <p>Our audit is, therefore, not designed to identify all control weaknesses. However, where, as part of our testing, we identify control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

# Significant audit findings

This section of our report includes a summary of significant audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the course of the audit.

## Significant risk areas identified at planning

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the financial statements is not modified with respect to any of the risks described below

### Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
<b>Significant risk description</b>	<p>Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p><b>Inherent risk of material misstatement:</b> Very High</p>

Risk area	Management override of controls
<b>How the scope of our audit responded to the significant risk</b>	<p><b>Key judgement</b></p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.</p> <p><b>Audit procedures</b></p> <ul style="list-style-type: none"> <li>• Documented our understanding of the journals posting process and evaluated the design effectiveness of management controls over journals.</li> <li>• Analysed the journals listing and determined criteria for selecting high risk and / or unusual journals.</li> <li>• Tested high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and ensured approval has been undertaken in line with the Trusts' journals policy.</li> <li>• Gained an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud.</li> <li>• Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
<b>Key observations</b>	<p>We have not identified any indication of management override of controls. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.</p>

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

Key risk area	Fraud in revenue recognition
<b>Significant risk description</b>	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed inherent risk on every audit unless it can be rebutted.</p> <p>The presumption is that the Trusts' could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Income recognised in the Trusts' accounts is investment income and support service income (with corresponding expenditure). Investments are managed by Janus Henderson Investors. Given the nature of this income we rebutted this risk.</p>

# Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## **Management's assessment of going concern**

The financial statements for the 43 trusts are prepared on the going concern basis.

Fife Council supports the ongoing operation and maintenance of the trusts, as evidenced through management and administrative support.

Management's assessment covers a period of at least 12 months from expected date of approval of the accounts

## **Trustee assessment of going concern**

The trustees are of the opinion the 43 trusts are a going concern from reviewing activities undertaken, based on expected expenditure and commitments in the coming year.

## **Audit work performed**

ISA 570 (revised) specifies mandatory procedures that we are required to carry out on going concern.

In order to gain assurance on these matters our work has included:

- enquiring of Council management concerning litigation, claims and assessments.
- consideration of post balance sheet events.

## **Disclosures**

We have reviewed the disclosures set out in notes to the financial statements on going concern and consider these to be appropriate.

## **Conclusion**

Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the 43 trusts will continue to operation for at least 12 months from the signing date.

# Other observations

## Interest on Revenue Balances

Fife Council manages the cash balances for the Charitable Trusts within a single, internally operated bank account. As this bank account is interest gaining, interest is allocated across the Trusts, proportionate to their share of the balance.

As part of the audit, we reviewed the process for allocating this interest and identified a formula error within the working paper. This impacted seven Trusts:

- Kinghorn
- Kirkcaldy
- Buckhaven and Methil
- Kennoway
- Leven
- Anstruther & Cellardyke
- Auchtermuchty

The error identified was deemed to be material to one of the Trusts, Buckhaven and Methil.

In understanding the scale of the error identified, we also identified that the same formula error was included, impacting the same Trusts, in the prior year. The Council has confirmed that this error has been included as far back as its records are available. We have raised a recommendation to the Council to ensure that such working papers are reviewed on an annual basis to ensure that they continue to operate as intended.

Work was completed to assess the total impact of the incorrect allocation of interest on those seven Trusts. As the error was deemed material to the financial statements in both the current and prior year, this required correction to both the current years accounts, and restatement of the prior year comparative figures. The quantum of the error is set out as an adjusted misstatement, within the Audit differences identified during the audit section below. We are content that these have been updated appropriately within the financial statements.

# Audit communication

## Materiality

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

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

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

Our initial assessment of materiality for the year ended 31 March 2024 was set out in our External Audit Annual Plan. On receipt of the unaudited financial statements, we reassessed materiality and set it at the levels outlined in Appendix 1. We consider that our updated assessment has remained appropriate throughout our audit.

## Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the prior year. These have been deemed appropriate for the audited period.

## Presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charitable trusts.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

## Fraud and suspected fraud

We have discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

## Written representations

We will present the final letter of representation to the Executive Director of Finance and Corporate Services to sign at the same time as the financial statements are approved.

### **Related parties**

We are not aware of any related party transactions which have not been disclosed.

### **Confirmations from third parties**

All requested third party confirmations have been received.

### **Local Authority Accounts (Scotland) Regulations 2014 – notice of public right to inspect and object to accounts**

As part of our audit, we reviewed the charitable trusts' compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulation 9: the notice of public right to inspect and object to accounts.

Overall we concluded that appropriate arrangements are in place to comply with the Regulations. No submissions were received in 2023/24.

### **Non-compliance with laws and regulations**

We are not aware of any significant incidences of non-compliance with laws and regulations.

Trustees are responsible for preparing the financial statements in accordance with the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities and Trustee Investment (Scotland) Act 2005, and relevant accounting standards.

Fife Council Charitable Trusts financial statements are prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. Regulation 7 (as amended in 2010) permits a single set of accounts for charities if they have common or related purposes, or shared management (i.e. connected charities). Fife Council has determined that members of the relevant Area Committee will be the trustees for the charitable trusts. As such, all elected members are Charity Trustees.



# Audit differences identified during the audit

We are required to inform the Council of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

Our summary of adjusted misstatements are presented in the table below. All adjustments noted relate to the error identified in the calculation of interest on revenue balances for seven of the trusts. This error was material to Buckhaven and Methil, and as such required restatement in the prior years where the same error had been identified.

## Adjusted misstatements

No	Detail	Balance Sheet	SOFA*
		Dr / (Cr)	Dr / (Cr)
		£	£
1.	Interest on Revenue Balances 2022-23 (Restated)	(37.47)	37.47
2.	Interest on Revenue Balances 2023-24	(56.66)	56.66
<b>Revised Unrestricted Funds per the audited financial statements</b>		<b>(1,556,370)</b>	

\* Statement of Financial Activities

The impact on the individual trusts is set out in the table below:

Trust	2022-23 Closing Balance (Cash)	2023-24 Closing Balance (Cash)	2022-23 Revenue	2023-24 Revenue	2023-24 Total Impact (reserves)
	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
	£	£	£	£	£
Kinghorn	(10.12)	(22.97)	10.12	12.85	<b>22.97</b>
Kirkcaldy	266.16	668.27	(266.16)	(402.11)	<b>(668.27)</b>
Buckhaven and Methil	(313.67)	(789.44)	313.67	475.77	<b>789.44</b>
Kennoway	1.44	2.51	(1.44)	(1.07)	<b>(2.51)</b>
Leven	15.54	39.65	(15.54)	(24.11)	<b>(39.65)</b>
Anstruther & Cellardyke	183.77	454.07	(183.77)	(270.30)	<b>(454.07)</b>
Auchtermuchty	(180.59)	(446.22)	180.59	265.63	<b>446.22</b>
<b>Total</b>	<b>(37.47)</b>	<b>(94.13)</b>	<b>37.47</b>	<b>56.66</b>	<b>(94.13)</b>

## Unadjusted misstatements

No unadjusted misstatements were identified through our audit work.

## Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the Council.

Following the Prior Period Adjustment, as set out above, the Council has added an additional note within the financial statements to explain the adjustment made. We are content that this is in line with the relevant standards.

# Internal controls

## Control environment

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements 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 internal control. Our audit is, therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

## Control weaknesses and recommendations

Control weaknesses and recommendations identified from our current year work are summarised below. The control weaknesses are categorised into three risk ratings as shown in the key.

### Key

1. Significant deficiency
2. Other deficiency
3. Other observations

1. Review of Working Papers		Other deficiency
<b>Observation</b>	Management use the same working papers year on year for calculating various parts of the Trust Accounts.	
<b>Implication</b>	There is a risk that where working papers are rolled forward, any inaccuracies or errors will also be rolled forward between years.	
<b>Recommendation</b>	Management should undertake regular review of working papers to ensure the calculations are operating as intended.	
<b>Management response</b>	The working paper with the identified error has been corrected. A wider review of working papers will be carried out to ensure checks are in place to identify any errors or inaccuracies.	

1. Review of Working Papers		Other deficiency
	<b>Responsible officer:</b> Finance Operations Manager <b>Implementation date:</b> 20 June 2025	

## Follow up on prior year control recommendations

As part of our audit process, we have specifically followed up on control weaknesses and recommendations either raised in last year's report or carried forward from prior reports.

1. Dormant charities	
<b>Recommendation</b>	Trustees should consider reorganising the charities through merging or winding them up, particularly when they appear to be failing to meet their charitable aims (e.g. by not disbursing funds).
<b>Implementation date</b>	31 December 2025
<b>Ongoing</b>	A review of the Charitable Trusts is ongoing and potential Trusts which could be merged or wound up have been identified, however the process of actioning this has not yet been initiated. Given the charity law requirements and engagement associated this is anticipated to run over the next 12- 24 months.

2. Charities – Key Controls	
<b>Recommendation</b>	Trustees should make arrangements to perform sample checks each year to ensure that monies have been appropriately granted and have been used for the purposes intended.
<b>Implementation date</b>	31 March 2023
<b>Complete</b>	Testing performed did not identify any issues in the grants awarded being used for purposes other than those they were granted for.

<b>3.</b>	<b>Completeness of payments recorded in the ledger and Fife Council Charitable Trust accounts</b>
<b>Recommendation</b>	A central record of applications should be maintained and reconciled to the ledger on an annual basis to provide assurance over the completeness of payments recorded in the ledger
<b>Implementation date</b>	31 March 2025
<b>Ongoing</b>	<p>All Charitable Trust applications now come through the <a href="#">Fife Grants</a> page and are stored in compliance with the document retention requirements. These records can therefore be used for reconciliation purposes.</p> <p>A reconciliation process still needs to be put in place and discussions will start on that asap.</p> <p>All approved applications are held by the 7 area administrators – these will be collated into a single point at the financial year end.</p>

# Independence and ethics

## Independence

The Ethical Standards and ISA (UK) 260 require us to give Fife Council full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we do not have any matters to not in that regard.

An Azets' employee's father is a senior employee at NHS Fife and has a Non-Executive Director role at Fife Coast & Countryside Trust. We confirm that we have implemented internal safeguards to ensure this employee has no involvement in our audit work and that no members of staff working on the audit discuss any aspects of the audit with them.

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

In particular:

Non-audit services: There are no non-audit services provided.

Contingent fees: No contingent fee arrangements are in place for any services provided.

Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any trustee (elected member of Fife Council), Fife Council senior management or staff.

Relationships: Other than the disclosure noted above, we have no other relationships with Fife Council, its senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Our period of total uninterrupted appointment as at the end of 31 March 2024 was two years.

## Audit and non-audit services

The total fees charged to the for the provision of services in 2023/24 were as follows. Prior year charges are also shown for comparative purposes:

	2023/24	2022/23
Audit of the Fife Council Charitable Trusts	£12,720	£12,000
Non-audit services	£0	£0
<b>Total fees</b>	<b>£12,720</b>	<b>£12,000</b>

# Appendix 1 - Materiality

On receipt of the 2023/24 unaudited financial statements, we reassessed materiality and updated as set out in the table below. We consider that our updated assessment has remained appropriate throughout our audit.

	<b>Overall materiality (£)</b>	<b>Performance Materiality (£)</b>	<b>Trivial threshold (£)</b>
<b>Settlement Trusts</b>			
Ladybank	£471	£353	£24
Kingskettle	£119	£90	£6
Kilconquhar	£348	£261	£17
Freuchie and Area	£371	£278	£19
Falkland	£176	£132	£9
Crail	£5,307	£3,980	£265
Cupar	£3,289	£2,467	£164
Auchtermuchty	£706	£530	£35
St Monans	£2,685	£2,014	£134
Elie	£890	£667	£44
Newburgh	£4,280	£3,210	£214
Anstruther & Cellardyke	£9,320	£6,990	£466
St Andrews	£6,729	£5,047	£336
Dunfermline	£4,644	£3,483	£232
Leslie	£126	£95	£6
Collessie	£136	£102	£7



	<b>Overall materiality (£)</b>	<b>Performance Materiality (£)</b>	<b>Trivial threshold (£)</b>
Tayport	£661	£496	£33
Pittenweem	£1,121	£841	£56
Leven	£559	£419	£28
Kennoway	£67	£50	£3
Buckhaven and Methil	£78	£58	£4
Burntisland	£1,289	£967	£64
Kirkcaldy	£10,672	£8,004	£534
Kinghorn	£1,546	£1,160	£77
Auchtertool	£47	£36	£2
Culross	£232	£174	£12
Limekilns	£229	£171	£11
Kincardine	£1,619	£1,214	£81
Lochgelly	£1,086	£815	£54
Ballingry	£604	£453	£30
<b>Other Trusts</b>			
Wagh & Wharrie Bequest	£133	£100	£7
Adam Smith / Gow / Beveridge Bequest	£546	£410	£27
A. A. Wilkie Trust - Children	£6	£5	£0
Fl. Lawsons Executry	£47	£36	£2
Raemore Mort. K/L	£157	£118	£8

	<b>Overall materiality (£)</b>	<b>Performance Materiality (£)</b>	<b>Trivial threshold (£)</b>
Frances Lawson's Bequest	£68	£51	£3
Ogilvy Dalgleish Mortification	£113	£85	£6
Macintosh Bequest	£49	£37	£2
B.F. Nisbet's Trust & Garden	£378	£283	£19
Thomas S. Greig's Bequest	£971	£728	£49
Thomson Bequest and Laing Library	£1,220	£915	£61
Bell Fund / Good Templars Fund	£14,519	£10,889	£726
Thomas Ireland's Trust	£209	£157	£10

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# Trustees' Annual Report & Financial Statements 2023-24



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## TRUSTEES' ANNUAL REPORT

### Introduction

Elected members of Fife Council act as trustees' for the Charitable Trusts listed at page 5 which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR). The financial statements included within this report incorporate all of the charities detailed on page 6 of this report.

The principal address of the Charitable Trusts is:

Fife Council  
Finance and Corporate Services  
Fife House  
North Street  
Glenrothes  
Fife  
KY7 5LT

Fife Council administers the Charitable Trusts and separately accounts for them. They do not form part of the Council's single entity balance sheet, although under Section 222 of the Local Government (Scotland) Act 1973, the property of the Charitable Trusts vest[s] in the relevant local authority. However they are included in the financial statements of the Council and its group.

The Trusts' auditors are:-

Azets Audit Services  
Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

### Trustees

As per guidance provided by OSCR, "Trustees" of the Charitable Trusts are described as those who have "general control and management" of the charity. The Council has determined that members of the relevant Area Committee will be the trustees for charitable trusts. For the purposes of this report it is our interpretation of the aforementioned that all elected members are Charity Trustees.

A full list of Trustees of the Charitable Trusts in their capacity as elected members of Fife Council can be found on page 5 of this report.

Day to day management of the Charitable Trusts is delegated to the Executive Director of Finance and Corporate Services of Fife Council. All of the Trustees for the accounts are normally elected or re-elected at local government elections. By-elections are held on the occasions of elected members vacating their positions to elect new members, who automatically become Trustees.

### Objectives and Activities

The objective of the Charitable Trusts is to provide support to organisations and individuals, in the form of grants, payments and awards, for projects which fulfil the criteria of the Trusts.

Income to the Charitable Trusts comprises; donations, investment returns and bank interest.

There are 43 Charitable Trusts, 30 of which are Settlement Trust funds. The following Financial Statements for all 43 registered charities have been prepared using the connected charities provision. Administration of the Settlement Trusts has been devolved to Area Committees to allow more localised decision making on spend, in line with the Council's overall objective of decentralisation.



## Structure, Governance and Management

The Charitable Trusts are constituted in a variety of ways, many coming from bequests from individuals or families who have entrusted a predecessor local authority with the task of distributing the fund for a charitable purpose. Individual Trusts and an indication of their purpose can be found on page 6 of this report.

Information regarding many of the Trusts is not available owing to their antiquity and the fact that since coming into public control they have been administered by several local government bodies, the purpose of these trusts have been agreed with OSCR and updated on the OSCR online register. Trustees have assured themselves that, where governance documents are missing, the charity nevertheless meets its objectives, in terms of the reporting process to them which has set out the purposes to which the funds have historically been put as well as correspondence with OSCR to confirm their understanding of the current purposes.

The Executive Director of Finance & Corporate Services has responsibility for ensuring an effective system of internal financial control is maintained and operated. This system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are recorded and properly authorised, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Executive Director of Finance & Corporate Services is responsible for keeping proper accounting records which are up to date and which ensure the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.

Decisions regarding the overall operation, assets, processes or policies of the Charitable Trusts are delegated by the Council to its Cabinet Committee. However, as previously stated, the Scheme of Administration allows Area Committees to take most decisions on individual charitable trusts within their Area.

## Risk

The Trustees have overall responsibility for the Charitable Trusts system of internal control that is designed by senior management to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations. The Trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main risk identified is the movement in market value and returns from investments held by the Trusts. Fife Council has a risk averse appetite which is demonstrated by the outsourcing of investment management to Janus Henderson Investors who are an international investment company.

## Achievements and Performance

The Charitable Trusts made grants totalling £29,830 in the year to support local communities. These were made from 12 individual Trusts and a total of 35 separate grants were awarded in 2023-24 compared to 43 grants awarded in 2022-23. Details of the most significant donations are detailed below

Thomas S Grieg's Bequest	
Contribution towards the demolition of the Pavilion at Mugdrum Park Newburgh	£5,000
Crail Settlement Trust	
Crail Community Partnership - Plants for Victoria Gardens	£1,375
Anstruther & Cellardyke Settlement Trust	
Cellardyke Tidal Pool Ltd - Contribution towards restoration of the children's tidal pool	£4,000
East Neuk of Fife Round Table - Contribution towards Community Fireworks event	£2,100
Newburgh Settlement Trust	
Tayside Institute Community - Contribution towards a day trip to the Forth Road	£800
Bridge for 48 pensioners	
Kirkcaldy Settlement Trust	
Small payments from purchase cards to various Individuals	£1,393
Clark Mobility Services - Contribution towards recliner chair	£800
Bell Fund/Good Templars Fund	
Madras College Endowment Trust - Madras Pipe Band Upkeep & Development	£3,900
Madras College Endowment Trust - Bell Fund Annual Burns Supper	£950
Cupar Settlement Trust	
Community in Cupar (CIC) - Community Ceilidh for St.Andrews Day	£1,064



## **Financial Statements**

Financial Statements for Fife Council Charitable Trusts have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006 and the Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP). The main statements included are;

- Statement of Financial Activities: Providing an analysis of incoming and outgoing transactions for the period.
- Balance Sheet: Showing the value as at the Balance Sheet date of the assets and liabilities recognised by the Charitable Trusts. The Balance Sheet also summarises final closing balances at the end of the year.
- Notes to the Financial Statements: To expand on or explain the information contained in Statement of Financial Activities and Balance Sheet.

A Cash flow statement is not required as stated in FRS102

The Financial Statements include a restatement of financial year 2022-23 to correct bank interest allocations from previous years. The impact on the statements is detailed in Note 11 of the Accounts.

## **Financial Review**

The Charitable Trusts have no explicit reserves policy, but as a general principle the “Capital” of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year. Trustees are permitted to use “Capital” balances should they require, however this will result in a reduction in the level of funding available for future investment. All funds within the Trusts have been classified as unrestricted funds in terms of the OSCR returns.

The main funding sources for the Charitable Trusts consist of dividends and interest from UK government bonds, with interest from bank deposits forming a lesser proportion of income. Given the sources, the income is subject to market fluctuation and can change as a result of economic factors.

In 2023-24, the net movement in funds is an increase of £33,238. The value of investments held reduced by £6,275 due to market movements in bond prices. Balances held at 31 March 2024 are £1,556,370.

## **Acknowledgements**

The Trustees wish to thank all officers and staff involved in the preparation of the Report and Financial Statements.

**Eileen Rowand MBA CPFA**  
**Executive Director Finance & Corporate Services**  
**Fife Council**

**Councillor David Ross**  
**Trustee**  
**Fife Council**

## TRUSTEES BY COMMITTEE AREA AS AT 31 MARCH 2024

### DUNFERMLINE

Aude Boubaker-Calder  
Auxi Barrera  
Cara Hilton  
Derek Glen  
Gavin Ellis  
Gordon Pryde  
James Calder (Chair)  
Jean Hall Muir  
Jim Leishman MBE  
Lynn Ballantyne-Wardlaw  
Naz Anis-Miah

### COWDENBEATH

Alex Campbell (Chair)  
Alie Bain  
Bailey-Lee Robb  
Darren Watt  
Lea McLelland  
Linda Erskine  
Mary Bain Lockhart  
Rosemary Liewald

### GLENROTHES

Altany Craik  
Craig Walker (Chair)  
Daniel Wilson  
Derek Noble  
Jan Wincott  
John Beare  
Julie Ford  
Lynn Mowatt  
Peter Gulline  
Ross J Vettraino OBE

### LEVENMOUTH

Alistair Suttie  
Colin Davidson (Chair)  
David Alexander  
David Graham  
Eugene Clarke  
John O'Brien  
Ken Caldwell  
Tom Adams

### NORTH EAST FIFE

Al Clark  
Allan Knox  
Alycia Hayes  
Ann Verner  
David MacDiarmid  
Donald Lothian  
Fiona Corps  
Gary Holt  
Jane Ann Liston  
John Caffrey  
Jonny Tepp (Chair)  
Louise Kennedy-Dalby  
Margaret Kennedy  
Robin Lawson  
Sean Dillon  
Stefan Hoggan-Radu

### SOUTH & WEST FIFE

Andrew Verrecchia  
Andy Jackson  
Brian Goodall  
Conner Young  
Dave Dempsey  
David Barratt (Chair)  
Graeme Downie  
Patrick Browne  
Sam Steele  
Sarah Neal

### KIRKCALDY

Alistair Cameron  
Blair Allan  
Carol Lindsay  
David Ross  
Ian Cameron (Chair)  
James Leslie  
Judy Hamilton  
Julie MacDougall  
Kathleen Leslie  
Lesley Backhouse  
Nicola Patrick  
Rod Cavanagh

## CHARITABLE TRUSTS AND THEIR PURPOSES

Trust Name	Charity Number	Purpose of the Trust
<b>Settlement Trusts</b>		
Ladybank	SC042143	<p>The purpose of the Settlement Trusts are as follows:-</p> <ul style="list-style-type: none"> <li>a) The prevention or relief of poverty;</li> <li>b) The advancement of education;</li> <li>c) The advancement of health;</li> <li>d) The saving of lives;</li> <li>e) The advancement of citizenship or community development;</li> <li>f) The advancement of the arts, heritage, culture or science;</li> <li>g) The advancement of public participation in sport;</li> <li>h) The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the conditions of life for the persons for whom the facilities or activities are primarily intended;</li> <li>i) The advancement of human rights, conflict resolution or reconciliation; the promotion of religious or racial harmony;</li> <li>j) The promotion of equality and diversity;</li> <li>k) The advancement of environmental protection or improvement;</li> <li>l) The relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage;</li> <li>m) The advancement of animal welfare;</li> <li>n) Any other purpose that may reasonably be regarded as analogous to any of the preceding purposes.</li> </ul>
Kingskettle	SC042144	
Kilconquhar	SC042145	
Freuchie And Area	SC042148	
Falkland	SC042149	
Crail	SC042150	
Cupar	SC042151	
Auchtermuchty	SC042152	
St Monans	SC042153	
Elie	SC042154	
Newburgh	SC042155	
Anstruther & Cellardyke	SC042156	
St Andrews	SC042157	
Dunfermline	SC042161	
Leslie	SC042170	
Collessie	SC042172	
Tayport	SC042173	
Pittenweem	SC042174	
Leven	SC042207	
Kennoway	SC042208	
Buckhaven And Methil	SC042211	
Burntisland	SC042382	
Kirkcaldy	SC042383	
Kinghorn	SC042385	
Auchtertool	SC042387	
Culross	SC042749	
Limekilns	SC042750	
Kincardine	SC042751	
Lochgelly	SC042904	
Ballingry	SC042905	
<b>Other Trusts</b>		
Waugh & Wharrie Bequest	SC018777	Poor and needy of Aberdour
Adam Smith & Gow Bequest (Michael Beveridge Bequest)	SC019331	Provision of Beveridge Park and Adam Smith and Beveridge Halls
A A Wilkie Trust	SC019334	To supply toys to children in hospital at Christmas
F L Lawsons Executry	SC019335	Interest to be used towards the upkeep of Star Hall
Raemore Mortification. Kinglassie	SC019339	Income to be applied for the benefit of the poor of the Parish
Frances Lawson's Bequest	SC019392	Benefit of Library at Simpson Institute
Ogilvy Dalgleish Mortification	SC019396	Coal for the poor
Macintosh Bequest	SC019399	Benefit of industrious poor
B F Nisbet's Trust & Garden	SC019402	Upkeep of public gardens, Station Road, Lundin Links
Thomas S Grieg's Bequest	SC019417	To provide pavilion in Tayside Park
Thomson Bequest And Laing Library	SC019420	(1) Thomson - Benefit of the old folks (2) Laing Library - Upkeep of library
Bell Fund/Good Templars Fund	SC019435	Moral and religious improvement of St Andrews
Thomas Ireland's Trust	SC019447	Provision of coal etc

## **STATEMENTS OF RESPONSIBILITIES**

### **The Trustees Responsibilities**

The Trustees are required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the authority has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Authority, that officer is the Executive Director Finance and Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Charitable Accounts (Scotland) Regulations 2006) and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).

We certify that the Annual Accounts have been approved for signature by, or on behalf of, the authority.

Signed on behalf of Fife Council

**Councillor David Ross**  
**Trustee**  
**Fife Council**

### **The Executive Director Finance and Corporate Services Responsibilities**

The Executive Director Finance and Corporate Services is responsible for the preparation of the Fife Council Charitable Trusts Annual Accounts in accordance with proper practices as required by legislation and as set out in the Charities Accounts (Scotland) Regulations 2006 and the Accounting and Reporting by Charities Statement of Recommended Practice (Charities SORP).

In preparing the Annual Accounts, the Executive Director Finance and Corporate Services has:-

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the accounting and reporting by charities: Statement of Recommended Practice (in so far as it is compatible with legislation)

The Executive Director Finance and Corporate Services has also:-

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the charities trusts at the reporting date and the transactions of the charities trusts for the year ended 31 March 2024.

**Eileen Rowand MBA CPFA**  
**Executive Director Finance and Corporate Services**  
**Fife Council**

## STATEMENT OF FINANCIAL ACTIVITIES

Total Funds 2022-23 £	Adjust- ment (Note 11) £	Total Funds 2022-23 (Restated) £		Total Funds 2023-24 £	Notes
(34,893)	0	(34,893)	<b>Income from:</b>		
(57,919)	38	(57,881)	Donations & Legacies	(39,791)	2
<b>(92,812)</b>	<b>38</b>	<b>(92,774)</b>	Investments	(69,343)	3
			<b>Total</b>	<b>(109,134)</b>	
			<b>Expenditure on:</b>		
30,361	0	30,361	Charitable activities	29,830	4
34,893	0	34,893	Other expenditure	39,791	5
<b>65,254</b>	<b>0</b>	<b>65,254</b>	<b>Total</b>	<b>69,621</b>	
76,668	0	76,668	Net (gains) / losses on investments	6,275	6
<b>49,110</b>	<b>38</b>	<b>49,148</b>	<b>Net (income)/expenditure</b>	<b>(33,238)</b>	
0	0	0	<b>Other recognised gains/losses</b>	<b>0</b>	
<b>49,110</b>	<b>38</b>	<b>49,148</b>	<b>Net movement in funds</b>	<b>(33,238)</b>	
			<b>Reconciliation of funds:</b>		
(1,572,280)	0	(1,572,280)	Total funds brought forward	(1,523,132)	13
<b>(1,523,170)</b>	<b>38</b>	<b>(1,523,132)</b>	<b>Total funds carried forward</b>	<b>(1,556,370)</b>	13

All funds are unrestricted

## BALANCE SHEET

31 March 2023 £	Adjustment (Note 11) £	31 March 2023 (Restated) £		31 March 2024 £	Note
824,688	0	824,688	<b>Fixed assets:</b>		
<u>824,688</u>	<u>0</u>	<u>824,688</u>	Investments	<u>818,413</u>	6
			<b>Total fixed assets</b>	<b><u>818,413</u></b>	
			<b>Current assets:</b>		
9,780	0	9,780	Debtors	8,308	7
688,702	(38)	688,664	Cash at Bank and in Hand	<u>729,649</u>	8
<u>698,482</u>	<u>(38)</u>	<u>698,444</u>	<b>Total current assets</b>	<b><u>737,957</u></b>	
			<b>Net current assets</b>	<b><u>737,957</u></b>	
<u>1,523,170</u>	<u>(38)</u>	<u>1,523,132</u>	<b>Total net assets</b>	<b><u>1,556,370</u></b>	
			<b>Funds of the charity</b>		
(1,523,170)	38	(1,523,132)	Unrestricted funds	(1,556,370)	13
<u>(1,523,170)</u>	<u>38</u>	<u>(1,523,132)</u>	<b>Total Charity Funds</b>	<b><u>(1,556,370)</u></b>	

The unaudited accounts were issued on 28th June 2024 and the audited accounts were authorised for issue on 29th April 2025.

**Eileen Rowand MBA CPFA**  
**Executive Director Finance & Corporate Services**  
**Fife Council**

**Councillor David Ross**  
**Trustee**  
**Fife Council**

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Accounting Policies

#### General Principles

The financial statements for the period ended 31 March 2024 have been compiled in accordance with Charities Accounts (Scotland) Regulations 2006, Accounting and Reporting by Charities Statement of Recommended Practice Charities SORP (FRS102). They are designed to give a true and fair view of the financial performance and position of the Charitable Trusts and comparative figures for the previous financial year are provided. There are no significant departures from accounting standards other than that outlined specifically below.

The accounting concepts of "materiality" and "going concern" have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance to justify its inclusion. The going concern concept assumes that the Charitable Trusts will not significantly curtail the scale of its operations. Trustees are of the opinion that the Charitable Trusts are a going concern based on a review of activities undertaken and expected commitments in the coming year and, as such, these financial statements are prepared on a going concern basis.

These accounts have been prepared on an accruals basis, accruals are made for all material debtors and creditors within the accounts and on the basis of the "connected charities" provision outlined in Section 7 of the Charities Accounts (Scotland) Regulations 2006. In addition, the accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of assets.

#### Income and Expenditure

Income is recognised in the accounts when due and receivable in the period to which it relates.

- Investment Income: This is included in the accounts when due and receivable, investments are held in Janus Henderson Investors. The investment strategy is to generate income whilst preserving and growing capital.
- Investment Gains and Losses: This includes any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments.

Expenditure is recognised in the accounts when due and payable in the period to which it relates.

- Costs of Generating Funds: The cost of administering the Charitable Trusts is borne by Fife Council.
- Governance Costs: where applicable, include; cost of preparation and examination of statutory accounts, cost of any legal advice to trustees on governance or constitutional matters; and the cost of administering grants.
- Charitable Activities: Decisions regarding the way the charitable income is spent are taken by the relevant Area Committee. These are recognised in the accounts when the grant is paid.

#### Assets

Fixed assets are listed investments with Janus Henderson Investors held at fair value. Accounting Policies in respect of fixed asset valuation, depreciation and impairment are consistent with that of Fife Council.

### 2 Donations & Legacies

2022-23		2023-24
£		£
(10,708)	Accountancy Costs	(11,598)
(12,000)	Audit Fee	(12,720)
(12,185)	Management & Admin Support	(15,473)
<b>(34,893)</b>	<b>Total Donations &amp; Legacies</b>	<b>(39,791)</b>

### 3 Investment Income

2022-23	Adjustment	2023-23	2023-24
£	(Note 11)	(Restated)	£
£	£	£	
(42,835)	0	(42,835)	Dividends and interest on listed investments (35,090)
(15,084)	38	(15,046)	Interest on cash deposits (34,253)
<b>(57,919)</b>	<b>38</b>	<b>(57,881)</b>	<b>Total Investment Income (69,343)</b>

#### 4 Charitable Activities

2022-23		Fund Name	Activities Undertaken	2023-24	
Individuals £	Organisations £			Individuals £	Organisations £
		<b>Settlement Trusts</b>			
		Ladybank	Prevention of Poverty	100	
	2,000	Crail	Environmental Protection		1,890
		Crail	Recreational Facilities		378
		Cupar	Promotion of Equality	150	1,064
500	1,000	Cupar	Prevention of Poverty	700	
		Cupar	Savings of Lives	400	
	275	Auchtermuchty	Recreational Facilities		100
		St Monans	Prevention of Poverty	500	500
	1,310	St Monans	Advancement of Health		400
		St Monans	Participation in Sport		360
40		Newburgh	Prevention of Poverty		800
	1,382	Newburgh	Advancement of Education		
200		Newburgh	Advancement of Health		
	3,500	Anstruther & Cellardyke	Advancement of Arts		490
		Anstruther & Cellardyke	Environmental Protection		4,000
		Anstruther & Cellardyke	Advancement of Health		300
		Anstruther & Cellardyke	Recreational Facilities		2,100
	500	Anstruther & Cellardyke	Advancement of Citizenship		
	2,000	Anstruther & Cellardyke	Advancement of Education		
	600	Anstruther & Cellardyke	Prevention of Poverty		
	600	St Andrews	Participation in Sport	1,500	300
	425	St Andrews	Advancement of Health		400
		St Andrews	Advancement of Arts		500
40	1,000	St Andrews	Prevention of Poverty		
250		Pittenweem	Prevention of Poverty		
3,494		Kirkcaldy	Prevention of Poverty	2,698	
990		Kirkcaldy	Advancement of Education		
1,925		Kirkcaldy	Advancement of Health		
980		Auchtertool	Prevention of Poverty		
	25	Limekilns	Advancement of Citizenship	25	
	25	Limekilns	Prevention of Poverty	25	
	150	Limekilns	Recreational Facilities	150	
		Lochgelly	Advancement of Education		150
		<b>Other Trusts</b>			
		Thomas S Grieg Bequest	Tayside Park pavilion		5,000
	7,150	Bell Fund / Good Templars Fund	Moral & Religious Improvement		4,850
<b>8,419</b>	<b>21,942</b>	<b>TOTAL</b>		<b>6,248</b>	<b>23,582</b>
	<b>30,361</b>				<b>29,830</b>



## 5 Other Expenditure

2022-23		2023-24
£	Other Resources Expended	£
10,708	Accountancy Costs	11,598
12,000	Audit Fee	12,720
12,185	Management & Admin Support	15,473
<b>34,893</b>	<b>Total Other Resources Expended</b>	<b>39,791</b>

## 6 Investments

2022-23		2023-24
£		£
901,356	Market Value as at beginning of year	824,688
(76,668)	Net increase/(decrease) in value of investments	(6,275)
<b>824,688</b>	<b>Market Value at end of year</b>	<b>818,413</b>

## 7 Debtors

Debtors balance related to accrued income on investments from Janus Henderson Investors of £8,308 (2022-23 £9,780).

## 8 Cash at Bank and in Hand

Cash at Bank and in Hand are balances held as part of Council's loans fund which have been accumulated over a number of years. In 2023-24 this amounted to £729,649 (2022-23 £688,664-restated per Note 11).

## 9 Trustee's Remuneration and Expenses

Neither the Trusts of the Charitable Trust nor any associated person connected with them have received any remuneration for their services. Further, no directly incurred expenses were reimbursed to the Trustees during the period.

## 10 Related Parties

During the period, the Charitable Trust Balances were invested by Fife Council, who manages the administration of the Funds on behalf of the Trustees. The costs of administering the Trusts is £39,791 and this is provided as a donated service by Fife Council resulting in no direct costs being incurred by the Charitable Trust. The Council acts as the banker for the Charitable Trust and all incomings and outgoings are made via the Council's financial systems.

## 11 Prior Period Restatements

A restatement of 2022-23 balances was made due to audit changes to amend incorrect allocations of bank interest income to seven Settlement Trusts in the 2019-20, 2020-21, 2021-22 and 2022-23 financial years. The restatement is only cumulatively and individually material to each Charitable Trust in 2022-23 and therefore all the prior year adjustments are made in that year. The restatement is reflected in the following statements and notes - Statement of Financial Activities, Balance Sheet, Note 3-Investment Income, Note 8-Cash in Bank and in Hand, Note 13-Outline Summary of Fund Movements.

## 12 Post Balance Sheet Events

There were no adjusting events after the balance sheet date.

### 13 Outline Summary of Fund Movements

Fund Name	Funds Carried Forward at 31/03/2023 £	Adjust -ment (Note 11) £	Funds Carried Forward at 31/03/2023 (Restated) £	Income in Year £	Expenditure in Year £	(Gains)/ Losses on Investments £	Funds Carried Forward at 31/03/2024 £
<b>Settlement Trusts</b>							
Ladybank	(9,125)	0	(9,125)	(422)	100	34	(9,413)
Kingskettle	(2,289)	0	(2,289)	(107)	0	8	(2,388)
Kilconquhar	(6,673)	0	(6,673)	(309)	0	24	(6,958)
Freuchie And Area	(7,099)	0	(7,099)	(335)	0	19	(7,415)
Falkland	(3,379)	0	(3,379)	(157)	0	13	(3,523)
Crail	(103,972)	0	(103,972)	(4,799)	2,268	373	(106,130)
Cupar	(65,450)	0	(65,450)	(2,934)	2,314	281	(65,789)
Auchtermuchty	(13,400)	181	(13,219)	(610)	100	47	(13,682)
St Monans	(53,260)	0	(53,260)	(2,414)	1,760	219	(53,695)
Elie	(17,058)	0	(17,058)	(796)	0	56	(17,798)
Newburgh	(83,072)	0	(83,072)	(3,734)	800	398	(85,608)
Anstruther & Cellardyke	(186,165)	(184)	(186,349)	(8,309)	6,890	906	(186,862)
St Andrews	(132,196)	0	(132,196)	(5,829)	2,700	749	(134,576)
Dunfermline	(88,992)	0	(88,992)	(4,169)	0	276	(92,885)
Leslie	(2,432)	0	(2,432)	(108)	0	13	(2,527)
Collessie	(2,605)	0	(2,605)	(122)	0	8	(2,719)
Tayport	(12,655)	0	(12,655)	(597)	0	34	(13,218)
Pittenweem	(21,492)	0	(21,492)	(1,006)	0	69	(22,429)
Leven	(10,738)	(16)	(10,754)	(502)	0	35	(11,221)
Kennoway	(1,290)	(1)	(1,291)	(61)	0	4	(1,348)
Buckhaven And Methil	(1,053)	314	(739)	(33)	0	4	(768)
Burntisland	(24,635)	0	(24,635)	(1,189)	0	37	(25,787)
Kirkcaldy	(207,713)	(266)	(207,979)	(9,598)	2,698	774	(214,105)
Kinghorn	(29,625)	10	(29,615)	(1,382)	0	97	(30,900)
Auchtertool	(916)	0	(916)	(40)	0	7	(949)
Culross	(4,461)	0	(4,461)	(199)	0	25	(4,635)
Limekilns	(4,606)	0	(4,606)	(193)	200	29	(4,570)
Kincardine	(31,045)	0	(31,045)	(1,442)	0	110	(32,377)
Lochgelly	(20,949)	0	(20,949)	(984)	150	62	(21,721)
Ballingry	(11,572)	0	(11,572)	(539)	0	40	(12,071)
<b>Other Trusts</b>							
Waugh & Wharrie Bequest	(2,549)	0	(2,549)	(117)	0	12	(2,654)
Adam Smith / Gow / Beveridge Bequest	(10,469)	0	(10,469)	(490)	0	34	(10,925)
A. A. Wilkie Trust - Children	(122)	0	(122)	(6)	0	0	(128)
Fl. Lawsons Executry	(909)	0	(909)	(43)	0	3	(949)
Raemore Mortification	(3,012)	0	(3,012)	(140)	0	11	(3,141)
Frances Lawson's Bequest	(1,296)	0	(1,296)	(61)	0	3	(1,354)
Ogilvy Dalgleish Mortification	(2,168)	0	(2,168)	(101)	0	8	(2,261)
Macintosh Bequest	(934)	0	(934)	(43)	0	3	(974)
B.F. Nisbet's Trust & Garden	(7,235)	0	(7,235)	(340)	0	21	(7,554)
Thomas S. Greig's Bequest	(23,658)	0	(23,658)	(856)	5,000	100	(19,414)
Thomson Bequest and Laing Library	(23,544)	0	(23,544)	(1,019)	0	168	(24,395)
Bell Fund/Good Templars	(283,344)	0	(283,344)	(13,022)	4,850	1,145	(290,371)
Thomas Ireland's Trust	(4,013)	0	(4,013)	(186)	0	16	(4,183)
	<b>(1,523,170)</b>	<b>38</b>	<b>(1,523,132)</b>	<b>(69,343)</b>	<b>29,830</b>	<b>6,275</b>	<b>(1,556,370)</b>
Donated Services (Support Services)				(39,791)	39,791		
<b>TOTAL</b>	<b>(1,523,170)</b>	<b>38</b>	<b>(1,523,132)</b>	<b>(109,134)</b>	<b>69,621</b>	<b>6,275</b>	<b>(1,556,370)</b>

## **Independent auditor's report to the trustees of Fife Council Charitable Trusts and the Accounts Commission**

### **Reporting on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the statement of accounts of Fife Council Charitable Trusts for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2024 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charities in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charities' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

#### **Responsibilities of the trustees for the financial statements**

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charities' operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charities;
- inquiring of the Trustees as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charities;
- inquiring of the Trustees concerning the charities' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Reporting on other requirements**

### **Other information**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### **Opinions prescribed by the Accounts Commission on the Trustees' Annual Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

### **Matters on which we are required to report by exception**

We are required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Karen Jones, for and on behalf of Azets Audit Services  
Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QC

Date:.....

Azets Audit Services is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006





29 April 2025

Agenda Item No. 5

## Azets – Annual Audit Plan Fife Council 2024-25

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Report by: Elaine Muir, Head of Finance

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Wards Affected: All

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### Purpose

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The attached report provides members with details of Azets External Annual Audit Plan for Fife Council for the financial year 2024-25 and sets out the risks highlighted, planned work, audit scope and timing.

### Recommendation

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The Committee is asked to:-

- (1) Note the content of the Azets External Annual Audit plan for 2024-25.

### Resource Implications

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This report does not have any direct resource implications beyond the audit fee detailed in the plan.

### Legal & Risk Implications

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The audit plan highlights the area of risk covered by the audit work and the details of the quality control established to provide assurance of compliance with regulatory and legal requirements.

### Policy & Impact Assessment

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None.

### Consultation

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Council officers have had the opportunity to review and comment on the audit plan for accuracy and have responded to this effect.



**Report Contact**

Elaine Muir  
Head of Finance  
Fife House

Email: [elaine.muir@fife.gov.uk](mailto:elaine.muir@fife.gov.uk)

# Fife Council

## External Audit Annual Plan

**Year ended 31 March 2025**

April 2025



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# Introduction

## Purpose

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of Fife Council and its group (“the Council”), and the charitable trusts administered by the Council for the year ended 31 March 2025.

The main elements of the audit include:

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

## Responsibilities of the auditor and the Council

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

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

The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with

proper accounting practices. The Council is also responsible for complying with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

Appendix 2 provides further details of our respective responsibilities.

## Adding value through the audit

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

## Feedback

If there are any elements of this audit plan to which you do not agree or you would like to discuss, please let us know as soon as possible.

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

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

## Openness and transparency

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

# Audit scope and general approach

## Risk-based audit approach

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

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

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

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

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

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

## Communication with those charged with governance

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

## Partnership working

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

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

### Audit Scotland

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

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

### Shared risk assessment and joint scrutiny planning

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

### Internal Audit

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

## Delivering the audit

### Hybrid audit approach

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

### Secure sharing of information

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

### Regular contact

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

### Signing annual accounts

Audit Scotland recommends the electronic signing of annual accounts and uses a system called DocuSign.

Electronic signatures simplify the process of signing the accounts. Accounts can be signed using any device from any location and there is no longer a need for duplicate copies to be signed.

## Materiality

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

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality for the year is set out in [Appendix 1](#).

**Planning Materiality:** We have set our materiality at 2% of the Council's gross expenditure based on the audited annual accounts for 2023/24, resulting in £33.657million for the Council and £34.175 million for the Group.

**Performance Materiality:** Using our professional judgement, we have assessed performance materiality at 75% of planning materiality, resulting in £25.242million for the Council and £25.631 million for the Group.

**Reporting threshold:** We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. We have set this at approximately 5% of planning materiality, resulting in £1.682million for the Council and £1.708 million for the Group.



## Accounting systems and internal controls

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

## Specialised skill or knowledge required to complete the audit procedures

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

## Going concern

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

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

### Management responsibility

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

### Auditor responsibility

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

In assessing going concern, we will consider the guidance published in the Code of Practice on Local Authority Accounting in the UK 2024/25 and Practice Note 10

(PN10), which focuses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

## Prevention and detection of fraud or error

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

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

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

## National Fraud Initiative

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

The most recent NFI exercise commenced in 2024. As part of our audit, we will monitor the Council's participation and progress in the NFI exercise and, where appropriate, include references to NFI in our 2024/25 Annual Audit Report.

## Anti-money laundering

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

## National risk assessment

Where particular areas of national or sectoral risk have been identified by the Auditor General and Accounts Commission, they will request auditors to consider and report on those risks as they apply at a local level. For 2024/25 no such risks have been specified. Nevertheless, the arrangements for responding to climate change continues to be an area of particular focus.

## Climate change

In 2022/23 we were required to gather information on the Council's response to climate change. Audit Scotland have reviewed the auditor returns assessing climate change and will share the findings from the review with auditors to provide helpful background information for 2024/25 annual audit work.

In addition, Audit Scotland will:

- publish a Good Practice Note on disclosures related to climate change following a review of public bodies' 2022/23 and 2023/24 annual accounts.
- Provide guidance to auditors on auditing climate change disclosures within the 2024/25 annual accounts of public bodies.

## Correspondence

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

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

## Wider audit scope work

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability. [Appendix 2](#) provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2024/25 is outlined in the 'Wider scope of public audit' section of this plan.

## Best Value

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

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

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

2. **Risk based approach to Best Value themes:** We pay due regard to the Council's arrangements in respect of the seven Best Value themes in identifying any significant risks.
3. **Assessing the effectiveness of performance reporting:** the best value theme, effective use of resources, includes an expectation that councils report effectively on their performance. Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities. Specifically in respect of assessing the effectiveness of the Council's processes for the reporting and scrutiny of performance against its priorities we will consider:

### Reporting service performance

- the Council's assessment of progress against its service priority measures.
- what the Council is reporting on its relative performance (from the Local Government Benchmarking Framework and other information used locally).

### Continuous improvement

- the Council's arrangements to demonstrate continuous improvement in how they deliver their priorities.

### Statutory performance information

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's Best Value audit responsibilities. In turn, councils have their own responsibilities, under their Best Value duty, to report performance to the public. The Accounts Commission issued a Statutory Performance Information Direction in December 2021 (continues to apply in 2024/25) which requires the Council to report its:

- Performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1).
- Self- assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

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

4. **Thematic reviews:** we are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2024/25 is on transformation and will involve auditors considering how councils are redesigning

and delivering more efficient services to achieve planned outcomes. We will report our conclusions in a separate report which will be presented to those charged with governance and published on Audit Scotland's website.

5. **Contributing to Controller of Audit reports:** The Controller of Audit reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five year audit appointment. The report is a summary of information and judgements reported by each auditor.

## Reporting our findings

At the conclusion of the audit we will issue:

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

## Definitions

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



# Group audit scope and risk assessment

As Group auditor under ISA (UK) 600 (Revised September 2022) we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

## Group audit scope

The Group consists of the following entities:

Component	Scope	Planned audit approach
Fife Council	Full	Full scope statutory audit, performed by Azets as set out in this audit plan.
Fife Integration Joint Board	None	No procedures planned.
Fife Coast & Countryside Trust	None	No procedures planned.
Fife Cultural Trust	None	No procedures planned.
Fife Golf Trust	None	No procedures planned.
Fife Sports & Leisure Trust	None	No procedures planned.
Cireco (Scotland) LLP	None	No procedures planned.
Fife Resource Solutions LLP	None	No procedures planned.
Business Gateway Fife	None	No procedures planned.
Fife Council Charitable Trusts	None	No procedures planned.
Fife Council Other Trusts	None	No procedures planned.
Common Good	Specific	Specific scope procedures on asset valuations and the implementation of IFRS16 to be completed by Azets.

## Risks at the component-level

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



# Financial statements - significant audit risks

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

## Significant risks at the financial statement level

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

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

Management override of controls	Audit approach
<b>Risk of material misstatement: Very High</b>	<ul style="list-style-type: none"> <li>• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud.</li> <li>• Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

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

Fraud in revenue recognition	Audit approach
<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA (UK) 240.</p> <p>The presumption is that the Council could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p>We consider that the risk of fraud in relation to revenue recognition is however only present the Grants and Contributions revenue stream, where there is increased opportunity and incentive to maximise revenue recognised in year. As such we consider that there is an inherent fraud risk associated with the over recognition of revenue in year, leading to a potential for material misstatement in the reported financial position.</p> <p>In respect of all other revenue streams we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams.</p> <p><b>Inherent risk of material misstatement:</b></p> <p>Grants and Contributions Revenue (occurrence): High</p>	<p>We will perform the below procedures in respect of grants and other contributions:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Council's systems for income to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems.</li> <li>• Evaluating the Council's accounting policies for recognition of income and compliance with the Code of Practice on Local Authority Accounting in the UK.</li> <li>• Carrying out substantive testing using analytical procedures and sample testing of transactions recognised for the year.</li> </ul>

Fraud in expenditure recognition	Audit approach
<p>Practice Note 10 notes that for certain public bodies, the risk of manipulating expenditure could exceed the risk of the manipulation of revenue. We have therefore also considered the risk of fraud in expenditure at the Council.</p> <p>We are satisfied that this is not a significant risk with regard to Pay Expenditure, as there is limited opportunity or incentive to manipulate this type of expenditure.</p> <p>For all other expenditure, given the financial pressures facing the public sector as a whole, we consider that there is an inherent fraud risk associated with the under recording of expenditure around the year end leading to a potential material misstatement in the reported financial position.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• Non-pay expenditure (completeness): High</li> <li>• Accruals (completeness): High</li> </ul>	<p>We will perform the below procedures:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Council's systems for expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements.</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems.</li> <li>• Evaluating the Council's accounting policies for recognition of expenditure and compliance with the Code of Practice on Local Authority Accounting in the UK.</li> <li>• Substantively testing a sample of open invoices from the Accounts Payable ledger at 31 March 2025, to ensure these are recorded in the appropriate year's financial statements.</li> <li>• Reviewing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.</li> </ul>
Valuation of council dwellings and other land and buildings (key accounting estimate)	Audit approach
<p>The Council carries out a rolling programme of valuations to ensure that all Property, Plant and Equipment</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p>

Valuation of council dwellings and other land and buildings (key accounting estimate)	Audit approach
<p>required to be measured at fair value is revalued at least every five years.</p> <p>Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2025.</p> <p>The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings and other land and buildings as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements falls outside of our expectations.</p> <p><b>Inherent risk of material misstatement:</b></p> <p>Council dwellings and other land and buildings and investment property (valuation): High</p>	<ul style="list-style-type: none"> <li>• Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work.</li> <li>• Evaluating the competence, capabilities and objectivity of the valuation expert.</li> <li>• Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied.</li> <li>• Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data.</li> <li>• For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding.</li> <li>• Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct.</li> <li>• Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.</li> </ul>

<b>Pension asset/liability (key accounting estimate)</b>	<b>Audit approach</b>
<p>An actuarial estimate of the net defined pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the Code of Practice on Local Authority Accounting in the UK.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p><b>Inherent risk of material misstatement:</b></p> <p>Pension (valuation): High</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management's process for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work.</li> <li>• Evaluating the competence, capabilities and objectivity of the actuary.</li> <li>• Assessing the controls in place to ensure that data provided to the actuary by the Council and their pension fund was accurate and complete.</li> <li>• Evaluating whether any asset ceiling was appropriately considered when determining the value of any pension asset included in the financial statements.</li> <li>• Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.</li> </ul>

**Implementation of IFRS 16- leases, service concession arrangements and Common Good long term debtor(key accounting estimate)**
**Audit approach**

IFRS 16 was adopted and implemented by local government bodies under the Code of Audit Practice from 1 April 2024. Under IFRS 16 a lessee is required to recognise a right of use asset and associated lease liability in its Balance Sheet. This will result in significant changes to the accounting for leased assets and the associated disclosures within the financial statements for the year ended 31 March 2025.

The 2024/25 Code has also changed the accounting treatment for indexation linked payments in liabilities for service concession arrangements. Local authorities must remeasure if there is a change in future lease payments resulting from a change in an index / rate used to determine those payments and ensure that the financial statements accurately reflect the impact of the revised IFRS 16 accounting arrangements.

The implementation of this new accounting standard also represents a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurement upon recognition of the right of use asset and associated lease liability. We have therefore identified the implementation of IFRS 16 as a significant risk.

**Inherent risk of material misstatement:**

Implementation of IFRS 16 (valuation and completeness): High

Procedures performed to mitigate risks of material misstatement in this area will include:

- Performing a walkthrough of the Council's systems and processes to capture the data required to account for right of use lease assets and associated liabilities in accordance with IFRS 16.
- Reviewing the Council's accounting policies for the year ended 31 March 2025 to reflect the requirements of the new accounting standard.
- Assessing the existence, valuation, accuracy and completeness of the right of use assets and associated lease liabilities, and the related disclosures within the financial statements.
- Evaluating whether right of use assets and lease liabilities have been appropriately remeasured in line with the requirements of IFRS 16 as set out in the Code of Practice on Local Authority Accounting in the UK.
- Assessing the adequacy of disclosures regarding service concession arrangements.

## Other material balances and transactions

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



# The wider scope of public audit

## Introduction

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

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

## Our audit approach to the wider scope audit areas

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

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

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

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

We have identified two significant risks in relation to our wider scope audit work as set out in the tables below. At this stage, we have not identified any further significant risks. Audit planning however is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.

## Wider scope significant risks

### Financial sustainability

The Council's financial planning is underpinned by its Medium-Term Financial Strategy (MTFS). The General Fund Revenue Budget report presented to the Council in February 2025, projects provisional cumulative budget gaps, after provision of pressures and investment, of £23.638million for 2025/26, rising to £43.803million for 2026/27 and £69.782million for 2027/28.

The Council has identified several initiatives to close the general fund revenue budget gap and present a balanced budget for 2025/26. These include:

- Identified budget savings of £7.137million.
- Increase in Council Tax of 8.2% (anticipated gap reduction £15.908million)
- Increase in Fees & Charges of 5% (anticipated gap reduction £0.593million).

After revising the financial planning assumptions to incorporate the same assumptions as for 2025/26, alongside Council Tax of 5%, the Council continues to forecast funding gaps of £5.116million and £16.233million respectively for 2026/27 and 2027/28. Work has commenced on developing transformation projects that are expected to generate further efficiency savings and help mitigate budget gaps in the medium to longer term.

The Council continues to acknowledge that reserves cannot be utilised as a sustainable solution to close the medium term budget gap. Following approval to decommission £5.260million of balances held for investment, the Council's level of uncommitted reserves is forecast to be £23.034million at 31 March 2025, which is just above the policy minimum. The Council plans to keep the level of uncommitted balances under close review, but with no plans to restore balances at this time.

The Council has recognised that the HRA budget is also under considerable financial pressure and continues to face a high level of financial risk. The 2025/26 funding gap on the HRA budget was £8.560million which is to be mitigated by a 6% rental increase approved by the Council in February 2025. Close monitoring of the key pressures facing the HRA including inflationary pressures and the cost of financing capital investment will be essential to ensure the HRA remains affordable and sustainable.

### Our audit response:

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

## Further wider scope considerations

In formulating our audit plan, we identified areas of further focus for our work in other wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist:

### **Financial management**

- Whether the Council achieves its 2024/25 financial targets.
- The progress made by the Council in enhancing the transparency of financial reporting.

### **Vision, leadership and governance**

- Whether the Council can demonstrate that the governance arrangements in place are appropriate and operating effectively.
- The progress made by the Council in implementing the refreshed Plan4Fife.

### **Use of resources to improve outcomes**

- How the Council demonstrates a focus on continuous improvement in the context of continuing financial and operational challenge.
- The transparency of decision-making and performance data.

# Best Value

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

## Controller of Audit report / Accounts Commission Findings

In February 2025, the Controller of Audit reported to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Commission's findings were published on the [Audit Scotland's website](#).

The Commission's findings are due to be presented to the May Full Council meeting alongside the Council's actions to address the findings. We will follow up on these actions as part of the scope of our Best Value follow up work.

## Our areas of focus in 2024/25

One of the aspects of our Best Value work is to take a risk based approach to the Council's arrangements in respect of the seven Best Value themes. As part of our 2024/25 risk assessment we are looking to focus our work to the following areas:

- The Council's approach to setting the 2025/26 budgets (revenue, HRA and capital) including integration of service change plans into this process, reflecting the financial challenges the Council is facing
- The impact of health and social care financial challenges on the Council and consideration of reporting a whole system view.
- The effectiveness of the Council's revised performance arrangements in supporting scrutiny of performance, identifying action plans for areas of poor performance and providing good quality performance information to inform decision making
- The Council's compliance with the Accounts Commission's direction on public performance reporting and preparations for implementation of the new direction (effective from 2025/26).

# Fife Council Charitable Trusts

## Introduction

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

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

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

## Significant risks at the financial statement level

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

Management override of controls	Audit approach
<p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of</p>	<p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals.</li> <li>• Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals.</li> <li>• Testing high risk and / or unusual journals posted during the year and after the unaudited financial</li> </ul>

Management override of controls	Audit approach
<p>material misstatement due to fraud and thus a significant risk.</p> <p>Specific areas of potential risk include manual journals, management estimates and judgements and one-off transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p>	<p>statements stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the journals policy.</p> <ul style="list-style-type: none"> <li>Gaining an understanding of the accounting estimates and critical judgements made by management. We will challenge assumptions and consider the reasonableness and indicators of bias which could result in material misstatement due to fraud.</li> <li>Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.</li> </ul>

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

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

## Going concern

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

### Management responsibility

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

### Auditor responsibility

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

## Materiality

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

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

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

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

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

## Charitable trusts materiality

	Overall materiality (£)	Performance materiality (£)	Trivial threshold (£)
<b>Settlement Trusts</b>			
Ladybank	471	353	24
Kingskettle	119	90	6
Kilconquhar	348	261	17
Freuchie and Area	371	278	19
Falkland	176	132	9
Crail	5,307	3,980	265
Cupar	3,289	2,467	164
Auchtermuchty	684	513	34
St Monans	2,685	2,014	134
Elie	890	667	44
Newburgh	4,280	3,210	214
Anstruther & Cellardyke	9,343	7,007	467
St Andrews	6,729	5,047	336
Dunfermline	4,644	3,483	232
Leslie	126	95	6
Collessie	136	102	7
Tayport	661	496	33
Pittenweem	1,121	841	56
Leven	561	421	28
Kennoway	67	51	3
Buckhaven and Methil	38	29	2
Burntisland	1,289	967	64



	Overall materiality (£)	Performance materiality (£)	Trivial threshold (£)
Kirkcaldy	10,705	8,029	535
Kinghorn	1,545	1,159	77
Auchtertool	47	36	2
Culross	232	174	12
Limekilns	229	171	11
Kincardine	1,619	1,214	81
Lochgelly	1,086	815	54
Ballingry	604	453	30
<b>Other Trusts</b>			
Waugh & Wharrie Bequest	133	100	7
Adam Smith / Gow / Beveridge Bequest	546	410	27
A. A. Wilkie Trust - Children	6	5	1
Fl. Lawsons Executry	47	36	2
Raemore Mort. K/L	157	118	8
Frances Lawson's Bequest	68	51	3
Ogilvy Dalgleish Mortification	113	85	6
Macintosh Bequest	49	37	2
B.F. Nisbet's Trust & Garden	378	283	19
Thomas S. Greig's Bequest	971	728	49
Thomson Bequest and Laing Library	1,220	915	61
Bell Fund / Good Templars Fund	14,519	10,889	726
Thomas Ireland's Trust	209	157	10

<b>Materiality</b>	<p>Overall materiality: our assessment is based on approximately 5% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the charitable trust.</p> <p>Performance materiality: Using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.</p> <p>Trivial threshold: 5% of overall materiality for the financial statements.</p>
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# Audit management team and logistics

## Audit management team

Our audit management team will be as follows:

Role	Name	Email
Engagement Lead	Karen Jones	Karen.Jones@azets.co.uk
Engagement Manager	Andrew Ferguson	Andrew.Ferguson@azets.co.uk
Engagement Manager	Amy Hughes	Amy.Hughes@azets.co.uk

## Timetable

Audit work/ output	Target month/s	Standards, Audit & Risk Committee	Deadline
Planning and risk assessment	March	N/A	N/A
Audit plan	March	24 April 2025	31 March 2025
Interim audit	March - April	N/A	N/A
Final audit	July - September	N/A	N/A
Independent Auditor's Report	September	30 September 2025	30 September 2025
Annual Report to the Council and the Controller of Audit	September	30 September 2025	30 September 2025

Audit work/ output	Target month/s	Standards, Audit & Risk Committee	Deadline
Report to those charged with governance relating to the charitable trusts	September	30 September 2025	30 September 2025
Grant claims and returns: <ul style="list-style-type: none"> <li>• Non domestic rate income return (NDRI)</li> <li>• Housing benefit subsidy claim (HB)</li> </ul>	TBC	N/A	TBC

## Our expectations and requirements

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

- Unaudited annual accounts, of good quality, submitted to us no later than 30 June, in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
- The provision of a complete set of good quality working papers for the commencement of our final audit. These will be discussed with you in advance to ensure clarity over our expectations.
- Ensuring staff are available and on site (as agreed) during the period of the audit.
- Prompt and adequate responses to audit queries.

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

# Audit fee

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

Audit fees are reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2024/25 audits) have been developed recognising the difficult financial environment and the challenges facing public services, and public audit's role in helping meet them. Alongside this the audit profession continues to experience significant pressures, operating in a competitive environment around staff retention and recruitment, as well as facing increased demands on audit quality and regulatory oversight. Consideration has been given, in setting the audit fees in 2024/25, to striking a balance between audit delivery, audit quality, staff wellbeing, managing risk, delivering efficiencies and cost savings and providing effective scrutiny, challenge, assurance and support.

The expected fee increase, for all fee-paying public bodies, has been limited to 1.9% in 2024/25.

The audit fee assumes that the body has:

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

As auditors we negotiate the fee with the Council during the planning process. The auditor remuneration element of the audit fee may be varied to reflect the circumstances and local risks within the body.

For 2024/25, we propose setting the audit fee above the expected fee level. We propose setting the 2024/25 audit fee above the expected fee to reflect the following areas of work:

	Fee
Changes to auditing standards have increased the complexity and volume of audit work required to carry out audits in line with these standards. In 2022/23, auditing standards (ISA 240 and ISA 315) relating to risk assessment came into effect which substantially changed the approach auditors take to risk assessment and the resultant audit procedures. These standards have an ongoing impact upon the level and detail of work required to perform an ISA compliant audit. Additionally, for 2024/25, ISA 600 (group audits) has been revised, resulting in a change in our approach to the audit of group accounts, including increased risk assessment procedures.	£14,450
Dealing with accounting queries which arise during the financial year, including consultation on asset valuations (identified as a significant risk area).	£10,000
New accounting standards in year relating to the disclosure of leases in the financial statements (IFRS16) came into effect for the Council in 2024/25 and is anticipated to have a significant impact on both the Council and the Common Good balance sheets. There is a significant level of additional audit work required in response to these changes, alongside dealing with accounting queries which arise during the financial year. (identified as a significant risk area).	£13,500
Ongoing development of the Council's performance management arrangements, reporting on our best value areas of focus for 2024/25 and follow up of the Commission's findings.	£15,000

Fee element	2024/25	2023/24
Auditor remuneration (expected fee level)	394,520	378,610
Audit remuneration (above expected fee level for risk areas noted above)	52,950	37,500
Pooled costs	9,910	13,800
Contribution to Performance audit and Best Value work (PABV) costs	122,130	125,160
Sectoral cap adjustment	136,130	132,700
<b>Total fee</b>	<b>715,640</b>	<b>687,770</b>

We will take account of the risk exposure of the Council and the management assurances in place. We assume receipt of the draft working papers at the outset of our final audit visit. If the draft accounts and papers are late, or agreed management assurances are unavailable, we reserve the right to charge an additional fee for additional audit work. An additional fee will be required in relation to any other significant work not within our planned audit activity.

## Audit fee – Fife Council Charitable Trusts

The audit fee in the table above does not include the cost of auditing charitable trust funds. We propose setting the audit fee for the audit of the charitable trusts at £12,965 (2023-24; £12,720) which represents an increase of 1.9% in line with Audit Scotland approach outlined above.

# Independence, objectivity and other services provided

## Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

## Other services

No other services were provided by Azets to the Council.

## Other threats and safeguards

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

Other threats to objectivity and independence	Safeguard implemented
An Azets employee's father is a senior employee at NHS Fife and has a Non-Executive Director role at Fife Coast & Countryside Trust.	We confirm that we have implemented internal safeguards to ensure this employee has no involvement in our audit work and that no members of staff working on the audit discuss any aspects of the audit with them.



# Appendices



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## Appendix 1: Materiality

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

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

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

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

Our assessment, at the planning stage, of materiality for the year ended 31 March 2025 was calculated as follows.

## Group and Council Materiality

	<b>Group £million</b>	<b>Council £million</b>
<b>Overall materiality for the financial statements</b>	34.175	33.657
<b>Performance materiality (75% of materiality)</b>	25.631	25.242
<b>Trivial threshold (5% of materiality)</b>	1.708	1.682
<b>Materiality</b>	<p>Our initial assessment is based on approximately 2% of the Council's gross expenditure as disclosed in the 2023/24 audited annual accounts. We consider this benchmark to be the principal consideration for the users of the annual accounts when assessing financial performance of the Group and Council.</p> <p>The financial statements are considered to be materially misstated where total errors exceed this value.</p>	
<b>Performance materiality</b>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>	
<b>Trivial misstatements</b>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p> <p>Individual errors above this threshold are communicated to those charged with governance.</p>	

## Common Good Materiality

	<b>Common Good Funds £million</b>
<b>Overall materiality for the financial statements</b>	12.0
<b>Performance materiality (75% of materiality)</b>	9.0
<b>Trivial threshold (5% of materiality)</b>	0.6

### Materiality

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

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

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

In addition to the above, we consider any areas for specific lower materiality. We have determined that no specific materiality levels need to be set for this audit.

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

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

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

## Appendix 2: Responsibilities of the Auditor and the Council

### The Accounts Commission, Controller of Audit and Audit Scotland

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

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

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

### Auditor responsibilities

#### Code of Audit Practice

The Code of Audit Practice (the [2021 Code](#)) describes the high-level, principles-based purpose and scope of public audit in Scotland.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Accounts Commission and it is a condition of our appointment that we follow it.

#### Our responsibilities

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

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

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

## Wider scope audit work

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

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

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### Financial management



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

#### Auditor considerations

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

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### Financial sustainability



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

#### Auditor considerations

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

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## Vision, leadership and governance

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



### **Auditor considerations**

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

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## Use of resources to improve outcomes

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



### **Auditor considerations**

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

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## Best Value

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

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

## Audit quality

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

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

The most recent audit quality report can be found at [Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland](#)



## Council responsibilities

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

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

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

Area	Council responsibilities
	<ul style="list-style-type: none"> <li>• The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.</li> </ul> <p>In maintaining that balance, the Council shall have regard to:</p> <ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Effectiveness</li> <li>• Economy</li> <li>• The need to meet the equal opportunity requirements.</li> </ul> <p>The Council should discharge its duties in a way which contributes to the achievement of sustainable development.</p> <p>In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.</p> <p>The Scottish Government's Statutory Guidance on Best Value (2020) requires bodies to demonstrate that they are delivering Best Value in respect of seven themes:</p> <ol style="list-style-type: none"> <li>1. Vision and leadership</li> <li>2. Governance and accountability</li> <li>3. Effective use of resources</li> <li>4. Partnerships and collaborative working</li> <li>5. Working with communities</li> <li>6. Sustainability</li> <li>7. Fairness and equality.</li> </ol> <p>The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.</p> <p>Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.</p>

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29 April 2025

Agenda Item No. 6

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## Financial Bulletin 2023-24 – Fife’s Position

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**Report by:** Elaine Muir, Head of Finance

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**Wards Affected:** All

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### Purpose

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The purpose of this report is to provide an update on Fife’s position in relation to the Local Government in Scotland Financial Bulletin 2023-24 published by the Accounts Commission in January 2025.

### Recommendation(s)

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It is recommended that the committee:-

1. note the key messages and recommendations contained within the Accounts Commission report; and
2. consider Fife’s position relative to the national one and note the response to the key messages and recommendations.

### Resource Implications

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There are no resource implications.

### Legal & Risk Implications

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There are no legal and risk implications.

### Impact Assessment

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An EqlA has not been completed because the report does not involve any change in policy.

### Consultation

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No consultation required.

## 1.0 Background

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- 1.1 The Accounts Commission publish an annual Financial Bulletin report that provides a high-level independent analysis of the financial performance of all Scottish Councils for the most recently completed financial year.
- 1.2 The main sources of information for the Financial Bulletin are Councils' 2023-24 audited accounts and returns made by external auditors. The report provides a series of key messages and recommendations supported by analysis, comment, and charts. The Financial Bulletin is structured into three sections, the first on funding and budget, the second on financial performance, and the third on Councils' financial position and outlook.
- 1.3 The Financial Bulletin 2023-24 is attached as Appendix 1.

## 2.0 Key Messages & Recommendations

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- 2.1 Within the report there are key messages and recommendations that provide commentary and on the financial situation Councils face across Scotland and directions for necessary future action. These messages are consistent and support the evidence that Councils are facing an increasing range of financial challenges related to funding uncertainty, growing budget gaps, and increasing demand across a wide range of services.
- 2.2 Below are the key messages and recommendations with Fife's response to each. The Financial Bulletin is looking back a considerable time and the position may have moved on since that time. Where appropriate this is reflected in the comments.

### **Key Message 1**

- 2.3 In 2023/24, councils' total revenue and income fell, including another real terms decrease in revenue funding from the Scottish Government. Councils are increasingly reliant on identifying savings, which becomes progressively more difficult year-on-year, and again used reserves to remain within their agreed budgets.

### **Fife's Response**

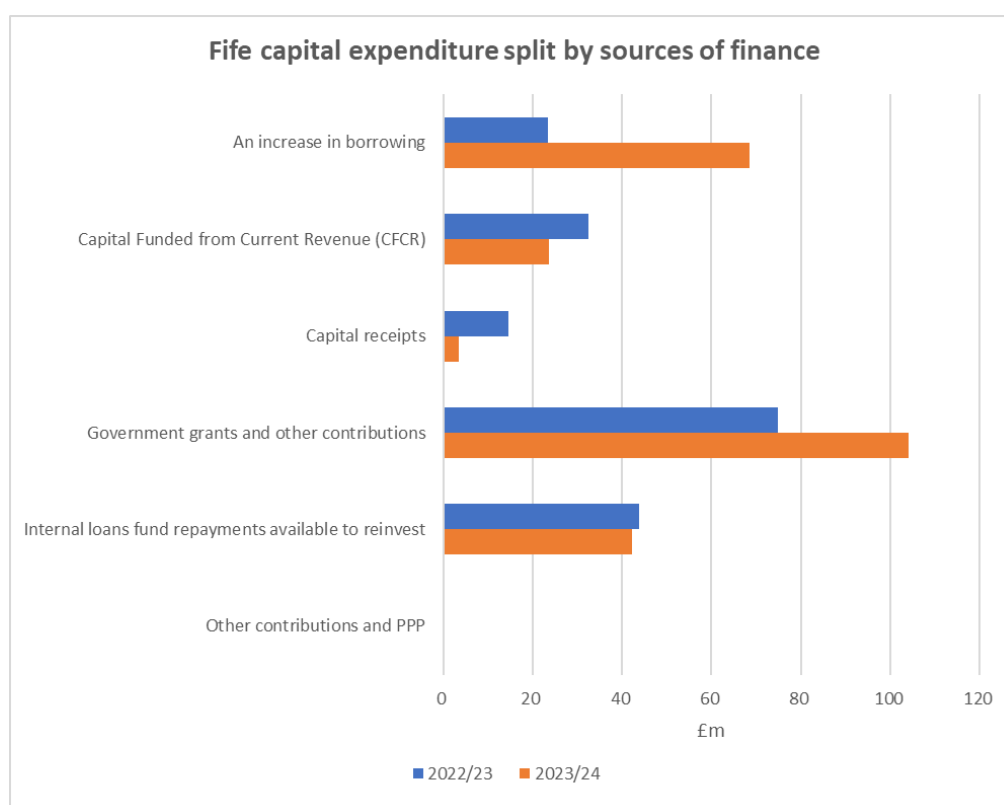
- 2.4 In Fife taxation and non-specific revenue grant income fell by £32.1m (3.2%) in real terms to £968.8m in 2023/24 from the previous year which is consistent with the national picture. This income is a combination of council tax income, non-domestic rates and general revenue grant. For 2024/25 a combination of the council tax freeze, a flat cash settlement from Scottish Government, continuing inflationary pressures and increasing demand for services have increased the scale of the Council's financial challenge. Looking forward to 2025/26, the restriction on council tax has been lifted, there has been an increase in both revenue and capital funding from Scottish Government. Beyond that, future estimates suggest that the Scottish Government may receive significantly less funding from the UK Government, which could increase pressure on unprotected budgets such as Local Government. To cope with the future uncertainty in funding, the Council has strong financial management with a Medium-Term Financial Strategy, scenario planning and a financial Risk Register in place to support future budget decisions.

## Key Message 2

- 2.5 In 2023/24, capital funding remained constrained, with councils borrowing more and managing a range of complex funding models. Capital funding from the Scottish Government reduced slightly in real terms, continuing a longer-term trend. Capital expenditure was lower than planned. Councils continue to borrow more to enable investment in their estates and council debt, and annual interest costs, continue to increase.

### Fife's Response

- 2.6 The Capital Investment Plan 2023-33 was approved by Fife Council in June 2023 continuing the practice of a 10-year rolling capital programme that is reviewed every two years. This provides an effective framework for strategic planning and decision making to ensure capital expenditure plans are prudent, affordable, and sustainable in the longer term. At that time Scottish Government capital grant was assumed to remain constant in cash terms for the duration of the plan, while the level of borrowing and the associated costs were expected to increase and inflation expected to increase the cost of projects.
- 2.7 In February 2025 the Capital Investment Plan 2025-35 was approved which explained that the previously approved plan was under significant strain. This resulted in the loan charges budget in revenue being increased to help fund an affordable and sustainable capital plan. However, there is a risk in committing a higher proportion of the revenue budget to loan charges and this was considered in the context of financial sustainability.
- 2.8 Below is the Fife equivalent of Exhibit 6 from the Financial Bulletin showing capital expenditure split by sources of finance. This follows a similar pattern to the Scotland figures in the report that show the majority of funding from government grants and increased borrowing. The level of borrowing is rising for Fife with record levels of investment but this is being closely managed and kept under review with financial sustainability and future affordability in mind.



### Key Message 3

- 2.9 Nationally, in 2023/24, usable reserves, which are those that can be used to support service delivery, reduced and most are already committed for specific purposes. This presents an ongoing challenge for councils reliant on reserves to balance their budgets, as well as to longer-term financial sustainability. Using reserves to routinely balance budgets is not sustainable.

### Fife's Response

- 2.10 During 2023-24 budgets of £62.624m were transferred from balances and used as planned for specific one off purposes. These mainly included honouring planned commitments in respect of funding financial impacts related to COVID-19 (£15.217m), Capital Investment Plan (£18.344m), contribution from balances for items approved during the budget process (£10.100m) specific Scottish Government funding (£8.664m) and Devolved School Management (£3.666m) and secondary school rolls (£4.670m).
- 2.11 Fife has only once used a relatively small amount of balances to close the budget gap and, given the low level of uncommitted balances leading up to setting the 2025/26 budget, the Section 95 officer determined it was not sustainable or prudent that balances be used to close the recurring budget gap.
- 2.12 Below are charts showing the equivalent figures for Fife to compare to Exhibits 8 and 9 from the Financial Bulletin. Exhibit 8 compares the overall level of usable reserves between 2023/24 and both 2022/23 and 2018/19. Revenue usable reserves have risen significantly since 2018/19 mainly as a result of grant funding received and not used in year as well as benefits arising from application of service concessions. Fife differs from the national picture as Fife's revenue usable reserves increased more significantly due to cautious use of additional funding received during the pandemic, as well as retaining a significant sum relating to services concession in order to fund investment requirements in the Capital Plan. In addition, the reduction of £57m between 2022/23 and 2023/24 differs from the Scotland wide position where they have remained relatively static. The reason for the movement in Fife is that various commitments have been honoured such as contributions to the Capital Investment Plan (£18m) and funding the financial impacts of COVID-19 (£15m).

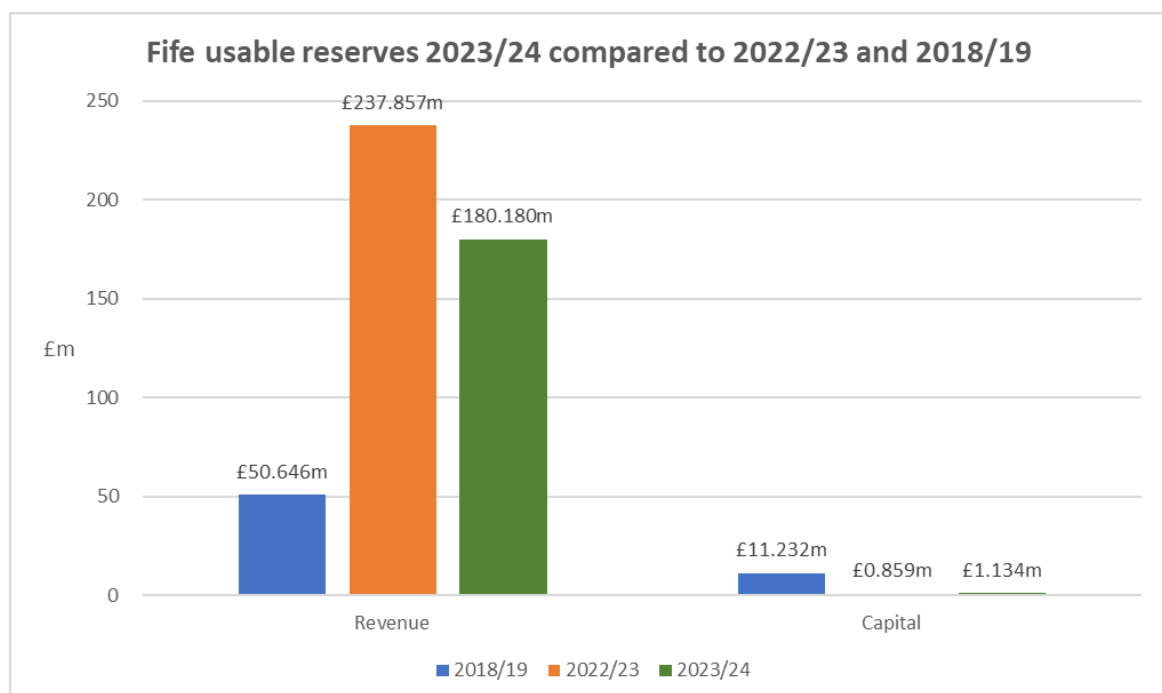
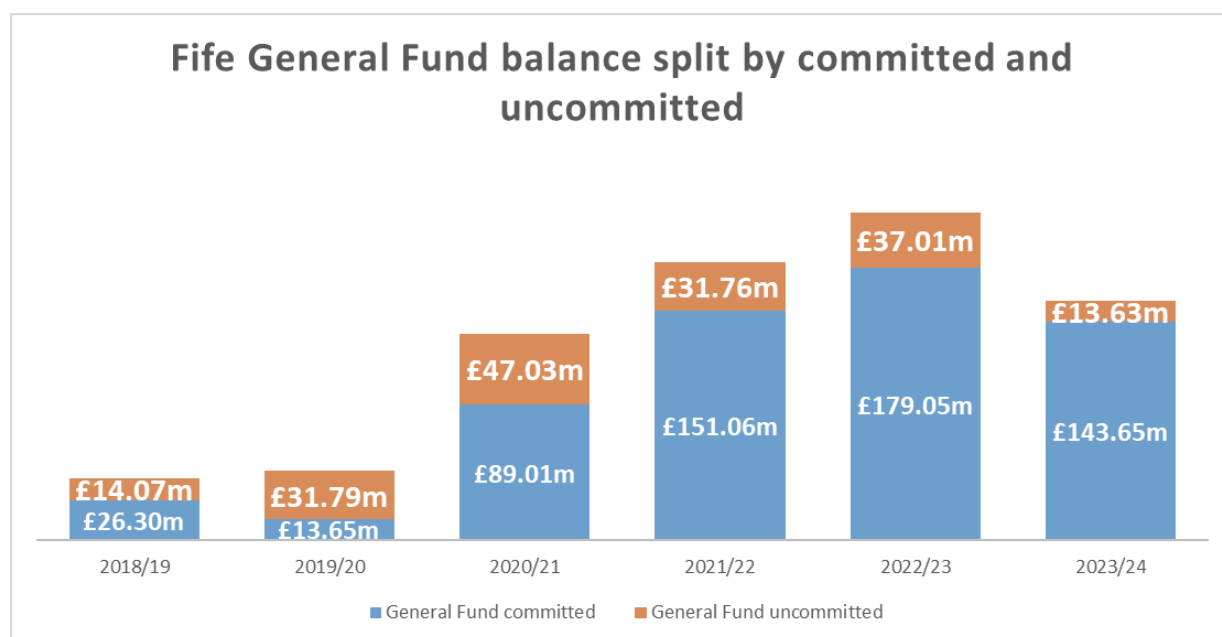




Exhibit 9 shows how the General Fund balance has been split between committed and uncommitted across the period from 2018/19 to 2023/24. The Scottish figures show both committed and uncommitted General Fund balances increasing each year while Fife's figures have both fallen between 2022/23 and 2023/24. The reason for the decreased committed balance is explained above. Uncommitted balances for Fife were well above the policy minimum of 2% in 2022/23 and following the 6<sup>th</sup> March Cabinet revenue monitoring report the forecast level of balances as at 31 March 2027 is expected to be £23.034m, which equates to approximately 2.03% of the revenue budget. The level of balances is kept under continual review by the Section 95 Officer and action taken to ensure that the Council operates within the guiding policy.



#### Key Message 4

- 2.13 Councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability. How councils plan to use their reserves, make savings and transform their services needs to become more transparent. The need to consult local communities and clearly communicate the implications for local services of the budget decisions taken has never been more important.

#### Fife's Response

- 2.14 A recent report to the 7<sup>th</sup> November 2024 Cabinet Committee on Change Planning highlighted the progress that was being made in line with the public service reform goals in the Plan for Fife and the challenging financial context. The report outlined the Council's approach to future Council change and explained approach to the various future change themes and outlined a timetable for phasing of the preparation for change through various phases leading into 2025/26. Changes across services were captured within the Service Change planning process which was integrated with the budget planning process. As the scale of the financial challenge is likely to increase in future years, effective consultation will be critical to explaining the need for change and the requirement to balance the budget.
- 2.15 The next report specifically providing an update on the change and transformation ahead will be brought to the Cabinet Committee of the Council in June 2025.

## **Recommendation 1**

- 2.16 In 2025, councils should report on the savings made within their management commentaries more comprehensively, including provision of comparisons to savings targets agreed during budget-setting, and whether they were recurring or non-recurring.

### **Fife's Response**

- 2.17 Fife have not had to make any service savings in recent years but when savings have been made to ensure a balanced budget in the past the vast majority have been recurring rather than non-recurring. During the setting of the 2025/26 budget all of the approved savings to close the budget gap were recurring. Progress on achieving these savings will be reported as part of the regular revenue monitoring reports both to the Cabinet Committee and to Scrutiny Committees throughout the financial year and reference to these will be made in the management commentary within the Council's Annual Report to ensure transparency and to report progress in terms of delivery.

## **Recommendation 2**

- 2.18 In 2025, councils should ensure that the impact of capital underspends, future borrowing projections and of using financial flexibilities on their indebtedness are reported clearly alongside the impact of these on future revenue budgets.

### **Fife's Response**

- 2.19 The Council is well placed in relation to this recommendation. The regular Revenue and Capital Investment Plan monitoring reports cover the impact of capital underspends, future borrowing projections and of using financial flexibilities. The most recent reports to Cabinet Committee on 6<sup>th</sup> March discussed the potential risks including the impact of capital underspends, inflation, the availability of funding streams and higher interest rates leading to increased costs of borrowing. In addition, the regular Capital reports provide updated Prudential Indicators that are reflective of the status of the capital investment plans and associated forecasts. The CIPFA Prudential Code is designed to support local authorities in taking their decisions in capital finance and expenditure. There is a statutory requirement to operate within the Code that requires the monitoring and reporting of performance against prudential indicators to be reported quarterly. This ensures that the council continues to operate within the indicators and boundaries approved.

## **Recommendation 3**

- 2.20 In 2025, councils should ensure reserves policies indicate explicitly and clearly the impact of financial flexibilities on reserves held; the nature, level of and intended timing of the deployment of committed usable reserves held; and the level of uncommitted and contingency funding held within General Funds.

### **Fife's Response**

- 2.21 Again, Fife is well placed in term of this recommendation. Note 17 of the annual accounts explains the impact and timing of financial flexibilities as they relate to Service Concession Arrangements. Notes 6 and 7 to the annual accounts give details of Fife's usable and unusable reserves. These show the purpose of each reserve, any movements over the year, and a breakdown of any earmarked balances within reserves. Fife has a policy to maintain the level of uncommitted balances at a minimum of 2% of

the revenue budget over a three-year rolling period. The regular revenue monitoring reports routinely contain a breakdown of current balances with commitments and their expected timing shown. The estimated level of uncommitted balances recently dipped below the policy minimum, largely due to a significant reported overspend. Action was taken to instruct Executive Directors to bring expenditure down closer to budgeted level and Cabinet Committee agreed to decommit some commitments in order to bring uncommitted balances back to within the policy minimum. Balances are continually kept under review by the Section 95 Officer.

#### **Recommendation 4**

- 2.22 In 2025, councils should prioritise service transformation, considering the impact of current service delivery models on longer-term financial sustainability, including the medium-term impact on reserve levels.

#### **Fife's Response**

- 2.23 As described above in response to key message 4, Fife Council is progressing with a range of transformational projects across all services including No Wrong Door, Digital and Place that, together with a range of additional change proposals, fed into the budget planning process and allowed the Council to set a balanced budget. This links to the annual budget setting and will subsequently feature in regular in-year budget monitoring reporting which includes tracking of delivery of savings and also routine monitoring of reserves.

#### **Recommendation 5**

- 2.24 In 2025, councils should ensure that financial sustainability becomes a central focus of financial monitoring and reporting, making greater use of financial sustainability indicators within reports to elected members and within their regular public reporting and financial strategies and plans.

#### **Fife's Response**

- 2.25 Detailed reports on the financial position and estimated budget gaps are prepared and considered at the relevant committees. These reports include forecasting of the reserves position which is continually kept under review. Financial Resilience indicators are prepared as part of the LGBF work and included in the performance indicators for the Council. These are also included in the annual accounts. In relation to this recommendation, further consideration is being given to whether there are any additional financial sustainability indicators that may useful be incorporated into the standard financial or performance reporting.

## **3.0 Conclusions**

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- 3.1 This report provides a summary of the Audit Commission's Financial Bulletin 2023/24 and Fife's response to the key messages and recommendations.

- 3.2 They confirm the consistent message that Councils are facing an increasing range of financial challenges including increased levels of funding uncertainty, growing budget gaps, and increasing demand across a wide range of services.
- 3.3 The response should focus on longer-term financial sustainability and resilience over short-term measures to balance budgets. The recommendations in the report will be considered and improvements made where appropriate and relevant.

## List of Appendices

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1. Local Government in Scotland – Financial Bulletin 2023/24

## Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

- [Fife Council Annual Accounts 2023-24](#)

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Local government in Scotland

# Financial bulletin 2023/24



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
January 2025



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## Accessibility

You can find out more and read this report using assistive technology on our website [www.audit.scot/accessibility](https://www.audit.scot/accessibility).

# Key facts

Some of these are based on a sample – see paragraph 4 for further information on our methodology

## Funding and budgets

- **1.8 per cent:** the real-terms reduction in revenue funding from the Scottish Government in 2023/24 compared to 2022/23
- **21 per cent:** the proportion of Scottish Government revenue funding that was ring-fenced or directed towards national policy commitments in 2023/24
- **£759 million:** the budget gap identified by our sample of 29 councils at the start of 2023/24. The 2024/25 budget gap identified by all 32 councils was £585 million
- **1.2 per cent:** the real-terms reduction in capital funding from the Scottish Government in 2023/24 compared to 2022/23.

## Financial performance

- **3.3 per cent:** the real-terms reduction in councils' total revenue funding and income in 2023/24 compared to 2022/23
- **9 out of 29:** the number of councils that reported overspends against their agreed revenue budgets
- **11 out of 30:** the number of councils that achieved all their planned savings
- **25 out of 30:** the number of councils that reported lower expenditure than planned across their capital programmes in 2023/24
- **£19.8 billion:** councils' net debt in 2023/24, a 15.8 per cent increase on 2022/23, as councils become more reliant on borrowing to finance their capital programmes.

## Financial position and outlook

- **5 per cent:** the decrease in councils' total usable reserves
- **84 per cent:** the proportion of the General Fund that is committed
- **12 out of 29:** the number of councils that made unplanned use of their reserves in 2023/24 to manage budget pressures
- **15 out of 30:** the number of councils that have long-term financial plans in place, with councils reporting difficulty planning for the longer term due to future uncertainty.



# Key messages

Despite an increase in overall revenue and capital funding for councils in 2024/25, and the Scottish Government's budget proposals in December 2024 indicating a further real terms uplift in funding for 2025/26, the financial outlook for Scotland's councils remains challenging.

- 1** In 2023/24, councils' total revenue and income fell, including another real terms decrease in revenue funding from the Scottish Government. Councils are increasingly reliant on identifying savings, which becomes progressively more difficult year-on-year, and again used reserves to remain within their agreed budgets.
- 2** In 2023/24, capital funding remained constrained, with councils borrowing more and managing a range of complex funding models. Capital funding from the Scottish Government reduced slightly in real terms, continuing a longer-term trend. Capital expenditure was lower than planned. Councils continue to borrow more to enable investment in their estates and council debt, and annual interest costs, continue to increase.
- 3** In 2023/24, usable reserves, which are those that can be used to support service delivery, reduced and most are already committed for specific purposes. This presents an ongoing challenge for councils reliant on reserves to balance their budgets, as well as to longer-term financial sustainability. Using reserves to routinely balance budgets is not sustainable.



- 4 Councils need to intensify transformation activity, progressing at scale and pace to ensure their financial sustainability. How councils plan to use their reserves, make savings and transform their services needs to become more transparent. The need to consult local communities and clearly communicate the implications for local services of the budget decisions taken has never been more important.
-

# Recommendations

## In 2025, councils should:

- Report on the savings made within their management commentaries more comprehensively, including provision of comparisons to savings targets agreed during budget-setting, and whether they were recurring or non-recurring ([paragraphs 29 - 30](#)).
- Ensure that the impact of capital underspends, future borrowing projections and of using financial flexibilities on their indebtedness are reported clearly alongside the impact of these on future revenue budgets ([paragraphs 34 - 41](#)).
- Ensure reserves policies indicate explicitly and clearly the impact of financial flexibilities on reserves held; the nature, level of and intended timing of the deployment of committed usable reserves held; and the level of uncommitted and contingency funding held within General Funds ([paragraph 54 and Case study](#)).
- Prioritise service transformation, considering the impact of current service delivery models on longer-term financial sustainability, including the medium-term impact on reserve levels ([paragraphs 61 - 62](#)).
- Ensure that financial sustainability becomes a central focus of financial monitoring and reporting, making greater use of financial sustainability indicators within reports to elected members and within their regular public reporting and financial strategies and plans ([paragraphs 63 - 67](#)).

We note progress against the recommendations from our [Financial bulletin 2022/23](#) in [Appendix 1](#).

# Introduction

## About this report

**1.** This report is part of a series of overview outputs produced by the Accounts Commission which together provide an independent overview of the financial and operational performance of Scotland's local government sector.

**2.** This report examines councils' financial performance in 2023/24. This follows the unprecedented challenges of the Covid-19 pandemic and cost-of-living crisis and sits against a backdrop of the whole of the Scottish public sector facing challenges to its financial sustainability. The bulletin sets out:

- councils' funding and budget-setting
- councils' financial performance
- councils' position at the end of 2023/24 and the financial outlook.

**3.** In spring 2025, we will publish a budget briefing examining the 2025/26 budgets set by councils, including analysis of anticipated budget gaps and the decisions made by councils when setting their budgets. This will be followed by a report focused on service performance later in 2025.

## Methodology

**4.** The primary sources of information for this report are councils' 2023/24 accounts and annual audit reports, a data request issued to councils in October 2024 and Scottish Budget documents.

**5.** Our findings are based primarily on:

- The 2023/24 annual accounts for 29 councils (20 audited and nine unaudited). At our 2 December 2024 deadline, accounts were unavailable for Clackmannanshire, Eilean Siar and East Dunbartonshire and these councils are not included in our 2023/24 analysis (or comparisons to previous years).
- Supplementary information from 30 councils collected via a data return issued to council directors of finance and was also reviewed by appointed auditors. At our 25 November 2024 deadline, data returns were unavailable for Clackmannanshire and Eilean Siar and these councils are not included in our analysis. We also utilised

elements of data returns previously submitted to us in support of our [Financial bulletin 2022/23 report](#).

- Scottish Government Budget documents. Our analysis of Scottish Government funding reports on the funding position for all 32 of Scotland's councils.

**6.** When looking at trends, we convert some figures to real terms.

This adjusts financial information from past and future years to prices for the year under review (ie, 2023/24). This is to take account of inflation so that trend information is comparable. To adjust for inflation, we use gross domestic product (GDP) deflators, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK Government and Scottish Government when analysing public expenditure.

**7.** Financial trend data (both capital and revenue) relating to funding, income or expenditure will generally be shown in real terms. Financial information from the councils' accounts' balance sheets remains unadjusted. This includes trend analysis on reserves, sources of capital finance, borrowing and debt. These are not adjusted to real terms as they are already subject to revaluations within the councils' accounts to reflect current prices.

# 1. Council funding and budgets

Both revenue and capital funding from the Scottish Government to councils were reduced in real terms in 2023/24, with councils once again setting budgets that required significant gaps to be addressed.

## Councils are reliant on Scottish Government funding which makes up over 60 per cent of income

**8.** As the largest source of funding or income for councils, at over 60 per cent, Scottish Government funding shapes the fiscal environment that councils operate in. Currently councils receive a single year settlement, with a draft allocation published in the Scottish Budget in December. This is revised throughout the year and in recent years a low initial settlement has been followed by large additional transfers during the financial year.

**9.** In 2023/24, the Scottish Government allocated councils total revenue and capital funding of £13.7 billion. This settlement was higher than before the pandemic but in real terms funding was reduced year-on-year since 2020/21. The 2024/25 settlement has reversed this trend and the 2025/26 draft settlement published in December 2024 indicates another real-terms uplift in funding for councils ([Exhibit 1, page 10](#)).

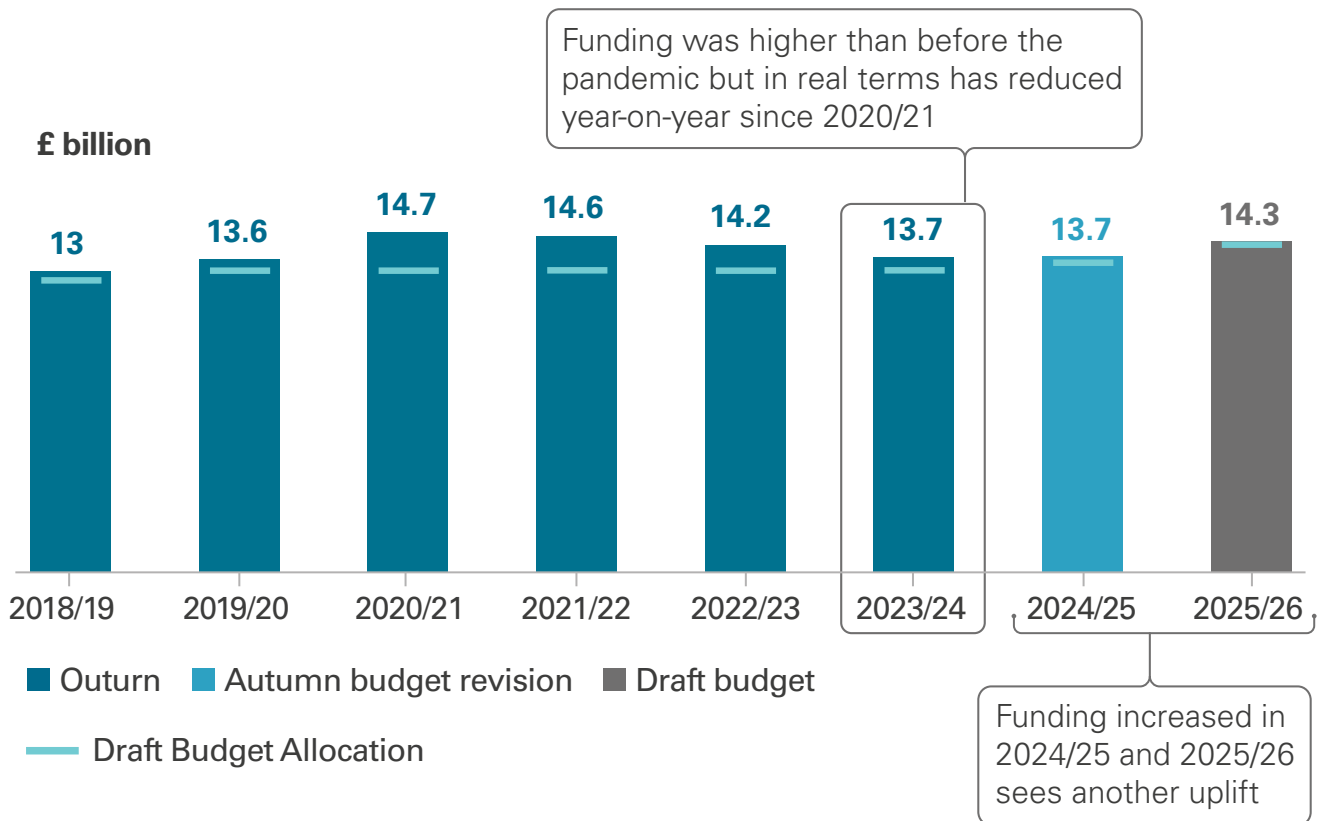
**10.** This initial 2025/26 draft settlement allocates £15 billion of revenue and capital funding to councils, a 5.8 per cent real terms increase on the 2024/25 draft settlement. Increases to revenue funding include an uplift to the general revenue grant, funding for pay awards and teachers' pensions. Increases to capital include additional funds to support inter-islands connectivity and climate change. There is still uncertainty as to how increased employers' National Insurance (NI) contributions, announced by the UK Government, will be funded. The Convention of Scottish Local Authorities (COSLA) estimates these will be an additional £265 million cost pressure for councils in 2025/26.

**11.** The funding increase for councils recently announced as part of the Scottish Government's 2025/26 draft budget in December 2024 does not change the fact that the financial outlook remains challenging ([Part 3](#)). We will examine the implications of the Scottish Budget for councils' own budget-setting in our next Local government in Scotland publication, [Local government budgets 2025/26](#).

## Exhibit 1.

### Scottish Government revenue and capital funding to councils since 2018/19 in real terms

Funding in 2023/24 was higher than before the pandemic but in real terms has reduced year-on-year since 2020/21. This trend reversed in 2024/25 and 2025/26 sees a further funding uplift.



Note: Draft budget allocations include transfers from other portfolios. 2020/21 and 2021/22 totals include Covid-19 funding allocations. Barnett consequentials (and other funding) will be allocated to 2024/25 in the Spring Budget Revision. The draft 2025/26 settlement will be subject to additional in-year allocations that are already included in earlier year totals.

Source: Scottish Government Budget documents

### Revenue funding from the Scottish Government fell by 1.8 per cent in real terms in 2023/24, despite significant in-year allocations

**12.** In 2023/24, revenue funding from the Scottish Government (at the spring revision) was £12.7 billion, a 4.2 per cent cash increase on the previous year but 1.8 per cent lower in real terms. General revenue grant funding and non-domestic rates combined decreased by 1.5 per cent. Specific revenue grants saw no cash increase which meant a reduction of 6.9 per cent in real terms.

**13.** Some further Scottish Government funding received by councils, although not formally ring-fenced, is provided with the expectation that it is directed to specific purposes. This is announced and distributed to councils in-year. In 2023/24, councils received an additional £1.6 billion at the autumn revision including additional funding to support teachers' salaries as well as the expected transfers from other portfolios including health and education. A further £0.3 billion was transferred from other portfolios at the spring revision.

**14.** In 2023/24, we calculated that ring-fenced and directed funding amounted to almost £2.7 billion, which is 21 per cent of Scottish Government revenue funding to councils. This is lower than in 2022/23. In the 2024/25 Scottish Budget, following a commitment in the Verity House Agreement to reduce the level of ring-fenced funding, a number of ring-fenced or directed items were 'baselined' into the general revenue grant. This includes all £522 million of the early learning and childcare specific revenue grant and £429 million of in-year transfers including adult social care Living Wage funding, Free Personal and Nursing Care and Free School Meals Intervention. While no longer ring-fenced, spending will still need to be directed towards these policies. In the 2025/26 Scottish Budget, initial indications do not show any significant alterations.

## Councils identified £759 million of budget gaps at the start of 2023/24, and planned to use savings and reserves to address these

**15.** Councils set their own budgets in February and March for the financial year ahead using the initial allocation from the Scottish Government. At the time of setting their 2023/24 budgets, councils in our sample of 29 identified a cumulative **budget gap** of at least £759 million for the year. This represented a budget gap of 4.8 per cent of the total net cost of services.

**16.** To close the budget gap and set a balanced budget, councils took a range of actions. Over 90 per cent was covered by agreeing:

- to make £260 million of recurring savings (34 per cent of the total share)
- to make a further £30 million of non-recurring, one-off savings (four per cent)
- to use £202 million of reserves (26 per cent)
- to raise £144 million through increases to council tax (19 per cent)
- to use £73 million of funding released via application of financial flexibilities (nine per cent)<sup>1</sup> ([Exhibit 2, page 13](#)).



During the budget-setting process, councils may identify a **budget gap**, which is the difference between their anticipated expenditure for the year and the funding and income they expect to receive. Councils will identify and agree bridging actions to allow them to set a balanced budget. This may include an agreement on savings to be made during the year.

<sup>1</sup> The budget gap and values that make up the bridging actions vary from those published in last year's Financial bulletin as the sample is different and additional data returns were received post publication that are now included.

**17.** The use of reserves and other non-recurring measures is unsustainable and is only a temporary plug for a budget gap in that one year. The gap will remain in future years until recurring measures such as recurring savings or increases to income are found or the service cost base is reduced.

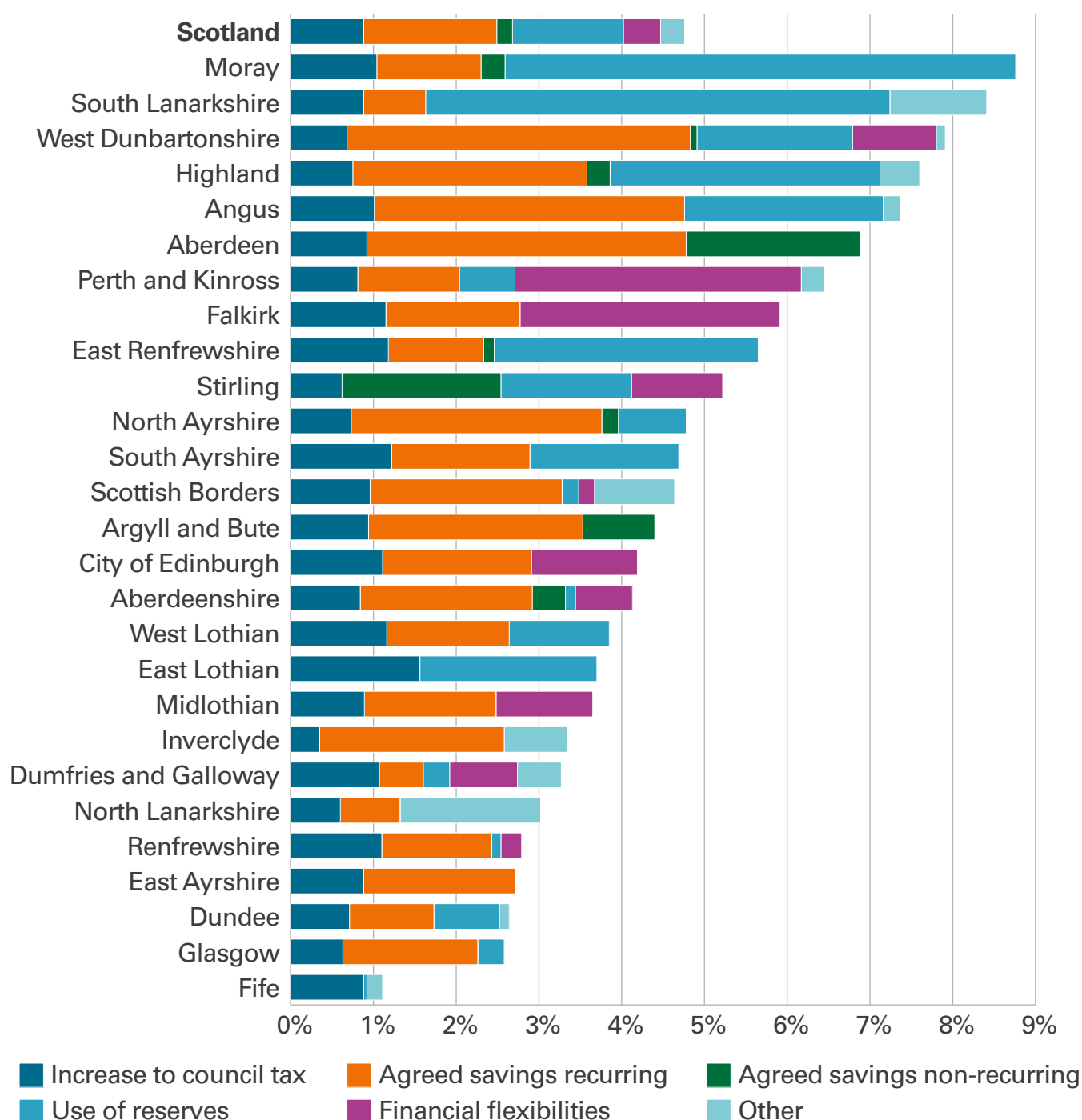
**18.** The setting of council tax levels is an important mechanism available to councils in delivering a balanced budget. In 2023/24, councils increased their tax by an average of 5.4 per cent. This was used to bridge 19 per cent of the overall budget gap. The Scottish Government imposed a council tax freeze for 2024/25, instead providing £144 million to 'fully fund' the freeze to the equivalent of a five per cent increase. The Cabinet Secretary for Finance and Local Government confirmed during her budget statement in December 2024 that there will be no council tax freeze or cap for 2025/26.



## Exhibit 2.

### The bridging actions councils identified within their 2023/24 budgets as a proportion of net cost of services

Recurring savings and using reserves made up the majority of how councils intended to meet their identified budget gaps.



Note: In addition to the three councils whose 2023/24 annual accounts were not available, Shetland and Orkney are excluded from this chart as both are outliers due to their high use of reserves to set their budget, reflecting the councils' regular utilisation of the returns from significant investments and harbour income. Shetland's bridging actions made up 35 per cent of their net cost of services (over 80 per cent of which related to reserves use). Orkney's bridging actions made up 13 per cent of their net cost of services (of which over 90 per cent was use of reserves).

Source: Council data returns (2023) and Councils' annual accounts 2023/24 (audited and unaudited)

## **With Scottish Government capital funding remaining constrained, councils are increasingly reliant upon borrowing to fund planned investment decisions**

**19.** Capital funding from the Scottish Government (at the spring revision) fell by 1.2 per cent in real terms between 2022/23 and 2023/24 and was 21 per cent lower than 2018/19. Both the general capital grant and specific capital grant have decreased in real terms. The specific capital grant, the proportion of funding that is ring-fenced for specific uses, was much lower than five years ago and has been relatively static for the past three years. This is due to the completion of the capital element of the Early Learning and Childcare Expansion Programme. Councils received £70 million of capital funding for use in 2023/24, by allowing an equivalent amount of revenue reserves to be released, and a further £22 million of funding to support the cost of local government pay awards (for example by allowing councils to use this instead of planned transfers from revenue budgets).

**20.** Capital funding was reduced further in 2024/25. The initial draft allocation for 2025/26 saw an increase compared to 2024/25 but capital funding remains lower than 2023/24 and earlier years. The longer-term reduction in capital grants means councils are having to finance their chosen investment in new facilities by other means. Councils are now more reliant on other sources of finance, such as borrowing, transfers from their revenue budgets and making use of financial flexibilities, than has previously been the case ([paragraphs 33 - 41](#)).

## 2. Financial performance

Councils increasingly relied on savings and reserves to ensure they remained within agreed revenue budgets; capital expenditure was lower than planned and borrowing increased. Improvements in how councils report their savings are still needed.

**Councils' total revenue funding and income fell by 3.3 per cent in real terms in 2023/24, with income from service fees still below pre-pandemic levels.**

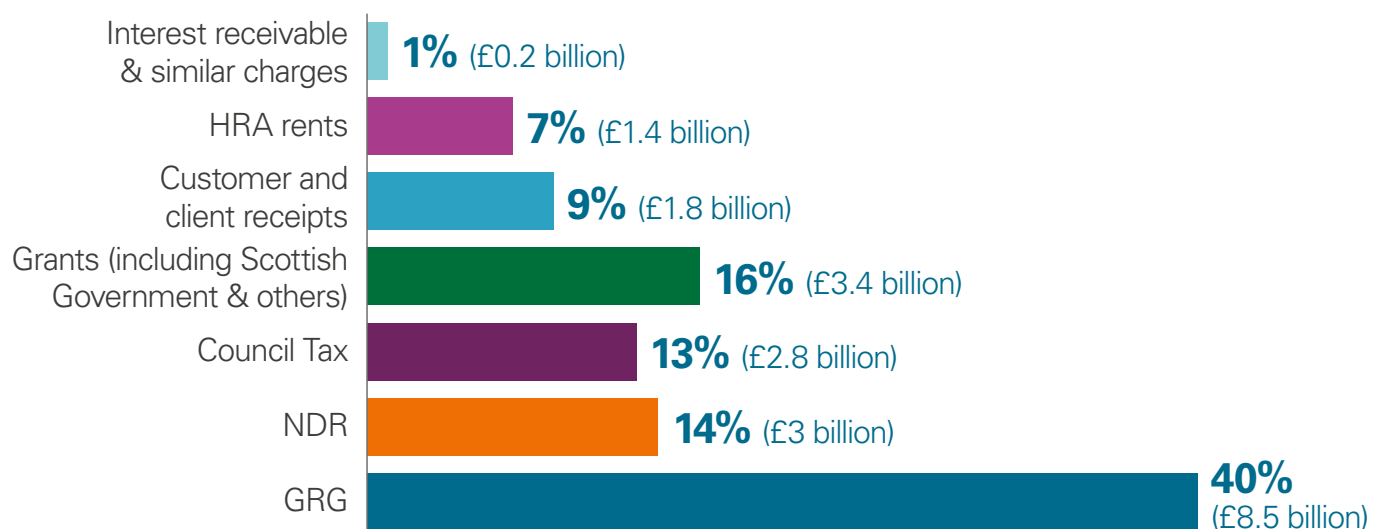
**21.** In addition to Scottish Government funding and council tax, councils receive funding and income from several other sources, including fees and charges for using services and council house rents ([Exhibit 3](#)).

**22.** In 2023/24, from our review of 29 councils' annual accounts, councils received £21.2 billion in revenue funding and income. This is £540 million more than 2022/23 but represents a real terms decrease of 3.3 per cent (£725 million) as increases in income have not kept pace with inflation. In 2023/24, total funding and income fell back to 2019/20 levels.

### Exhibit 3.

#### Sources of council funding and income in 2023/24

The proportion of funding from each source is similar to 2022/23.



Note: Interest receivable refers to the interest that has been earned by investments, loans, or income to be received from overdue invoices.

Source: Councils' annual accounts 2023/24 (audited and unaudited) (based on 29 annual accounts)

**23.** Council tax is an important source of income for councils, providing £2.8 billion in 2023/24. The proportion has remained static for the last five years at around 13 per cent of total funding and income. In 2023/24, councils received £11 million more income from council tax than in 2022/23, which is a 0.4 per cent real terms increase.

**24.** Income from customer and client receipts dropped significantly during the pandemic and has not yet returned to previous levels. Customer and client receipts are 12 per cent (£253 million) lower in real terms than in 2019/20. Councils reported receiving lower income than budgeted for as a reason for service overspends in 2023/24 across a broad range of services, with parking and waste the most common. However, the picture is mixed and for some councils and service areas increased income offset expenditure and led to services underspending against their budgets. Income generation, and the limited capacity to increase this, was cited by a number of councils as a risk to financial sustainability.

### **Overall, councils remained within their agreed revenue budgets, but some services spent more than planned**



**25.** In 2023/24, councils managed net budgets of around £15 billion, compared to £13.4 billion in 2022/23. Overall, councils reported a revenue budget underspend of £111 million or 0.7 per cent. This is around half the variance seen in 2022/23. Since 2019/20 there has been a small overall underspend each year and, except for 2020/21, this variance has decreased year-on-year. Despite the overall underspend, nine reported overspends against their agreed revenue budgets.

**26.** Councils reported both underspends and overspends at a service level, with workforce issues and income a common theme for both ([Exhibit 4, page 17](#)).

## Exhibit 4.

### Council overspends and underspends at a service level and reasons for them

Workforce issues and income generation are a common theme for both.

	Service area	Reasons for
 <b>Overspends</b>	<ul style="list-style-type: none"> <li>Reported in a wide range of service areas with culture and leisure, children and families, education and adult social care being noted most often.</li> </ul>	<ul style="list-style-type: none"> <li>Service area overspends were mostly attributed to a lack of funding, workforce pressures and general cost increases.</li> <li>Underperformance of a range of income streams also contributed to overspends in some councils.</li> </ul>
 <b>Underspends</b>	<ul style="list-style-type: none"> <li>Education and early years were referred to most often.</li> <li>Communities, culture and leisure, and planning and economic development were also identified by some councils as areas of underspend.</li> </ul>	<ul style="list-style-type: none"> <li>Underspends in education and early years were often attributed to lower than anticipated demand and unfilled staff positions.</li> <li>Underspends were sometimes attributed to more favourable income position, such as generating greater income than budgeted for and receiving additional VAT reimbursements.</li> <li>Workforce issues, such as challenges with recruitment, and high vacancy levels, were also identified as a cause of underspends.</li> </ul>

Note: Culture and leisure services were reported in both but twice as often as an area of overspend than an underspend.

Source: Council data returns

## **Councils delivered significant savings, but some remain reliant on one-off measures and reporting against savings targets should be more transparent**

**27.** From our sample of 30, 28 councils set a savings target in 2023/24, totalling £362 million, with £332 million (92 per cent) being achieved. This is significantly higher than the savings target reported by the same councils last year (£214 million).

**28.** Of the 30 councils:

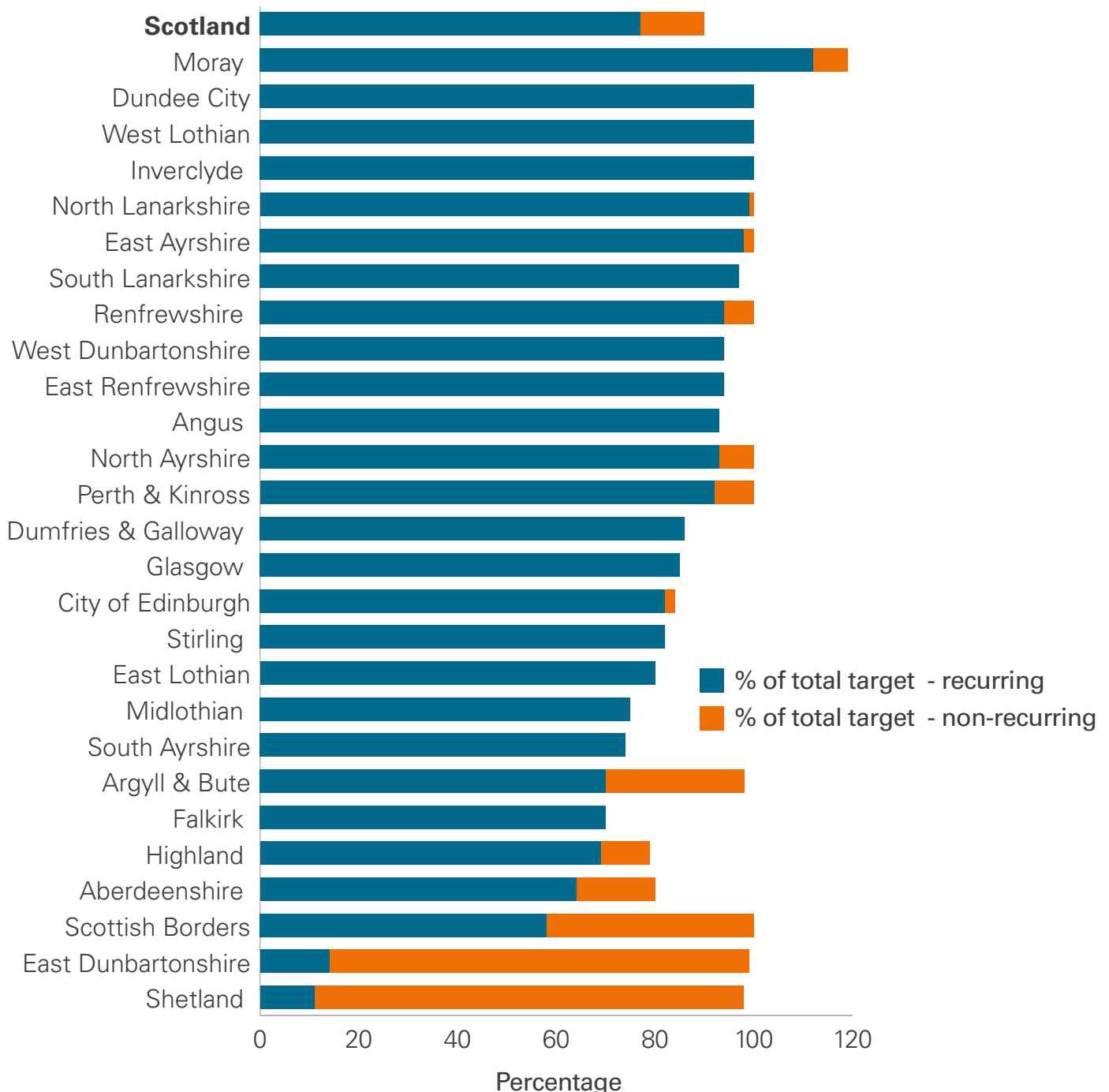
- eleven achieved their full savings target or more
- thirteen missed their target but achieved 80 per cent or more
- four achieved less than 80 per cent of their target
- two councils (Fife and Orkney) did not have savings targets in place.

**29.** Not all councils could split savings targets or achieved savings information into recurring or non-recurring categories. Where we have a breakdown of how savings were achieved (27), 85 per cent (£244 million) were achieved on a recurring basis, compared to 82 per cent in 2022/23. Non-recurring savings accounted for 15 per cent of total savings achieved, at £42 million ([Exhibit 5, page 19](#)).

## Exhibit 5.

### Proportion of savings targets achieved in 2023/24, split by recurring and non-recurring savings (based on 27 councils that can split their savings in this way)

Some councils continue to rely upon one-off measures to deliver in-year savings.



Note: In addition to the two councils that did not submit a data return, a further three councils are excluded from this exhibit. Aberdeen City sets a savings target to be achieved in the year but does not differentiate between recurring and non-recurring savings for monitoring purposes. The savings target was achieved for 2023/24. Fife and Orkney did not have a savings target in place in 2023/24.

Source: Council data returns

**30.** In our [Financial bulletin 2022/23](#) we recommended that councils prioritise the achievement of recurring savings and avoid reliance on non-recurring measures. The overall extent of progress against our recommendation is difficult to assess due to a lack of detail and transparency in reporting on savings performance. Non-recurring savings are not always included in savings targets or performance information so it remains difficult to assess the overall reliance on these or, indeed, the overall savings achieved.

**31.** Additionally, a review of management commentaries within annual accounts found that not all councils are reporting progress against savings plans and, for the majority that are, these largely focus on their previous or future plans. The majority lacked detail on areas such as performance trends and, again, often did not report if savings were recurring or non-recurring.

**32.** Councils have identified the need to generate future savings as they undertake wider-scale transformation, redesign how services are delivered and consider their future policies on fees and charges for accessing services. This will need to be done in consultation with their partners and citizens. Councils should report more transparently the nature of their savings and how these could impact services on an ongoing basis.

## **Capital expenditure was 20 per cent lower than planned and funded by increased borrowing**

**33.** The value of council estates, mainly council owned property (including buildings and schools) and equipment, increased by £5 billion in 2023/24 to £51 billion. This reflects continuing investment by councils and, in 2023/24, capital expenditure was £3.5 billion. This is comparable in cash terms to 2022/23. Borrowing increased again in 2023/24 to £1.7 billion, a significant increase of £406 million (31 per cent) since 2022/23, and up £1.2 billion (196 per cent) since 2018/19. Borrowing was used to finance 49 per cent of total capital expenditure ([Exhibit 6, page 21](#)).

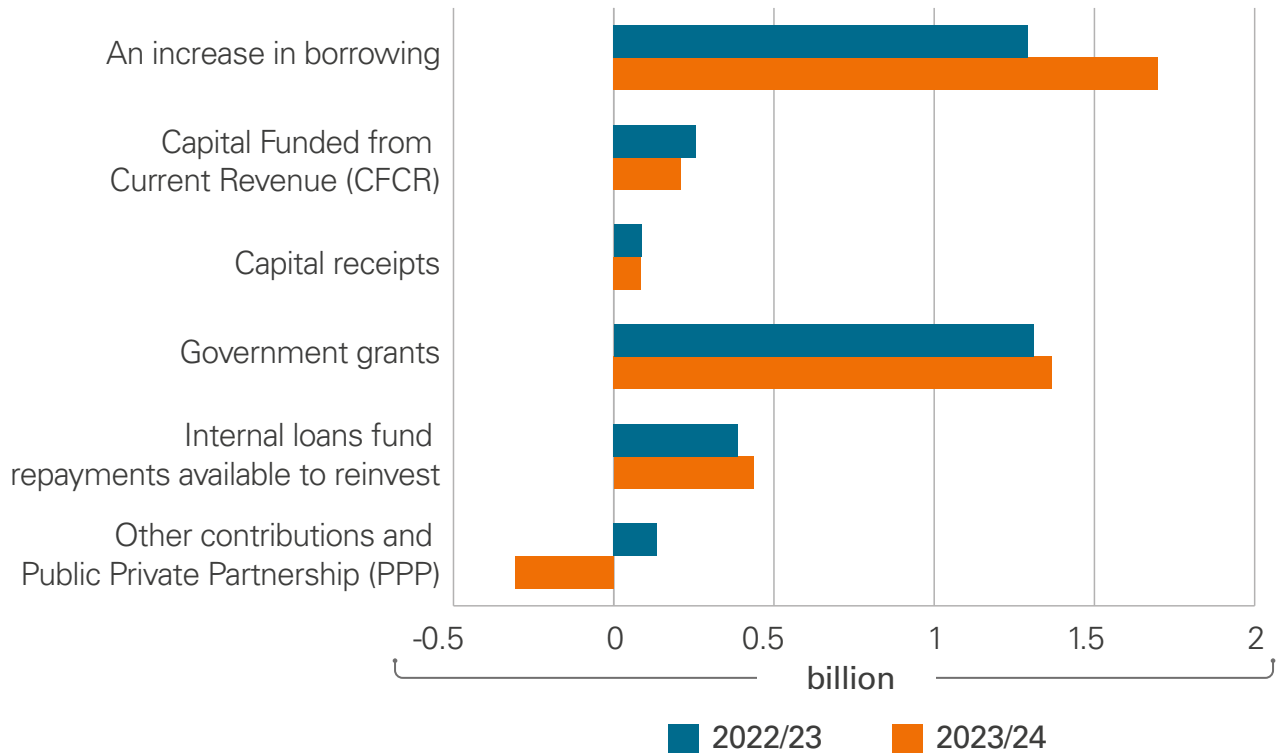
**34.** From our sample of 30 councils providing information through the data return, 25 reported a capital underspend in 2023/24 of £755 million. This equates to 20 per cent of councils' total capital budget. This is less than the underspend of 24 per cent in 2022/23; however, it is still higher than the 17 per cent reported in 2018/19. Significant underspends were reported for both General Fund (23 per cent of budget) and HRA capital programmes (15 per cent of budget). Councils reported a range of project types and reasons for why capital underspends had occurred ([Exhibit 7, page 21](#)).



## Exhibit 6.

### Capital expenditure split by sources of finance, in cash terms

Borrowing and government grants remain the most significant means of financing capital investment.




Note: Internal loans fund repayments are an annual charge that recognise capital costs in the revenue budget. Once repaid, they allow borrowed funds to be used elsewhere. Capital receipts are income councils generate from selling existing assets. Revenue transfers is capital expenditure funded from service revenue budgets.

Source: Councils' annual accounts 2022/23 and 2023/24 (audited and unaudited)

## Exhibit 7.

### Type and reasons for underspends on councils' capital programmes

	Project type	Reasons for
 <b>Underspends</b>	<ul style="list-style-type: none"> <li>School and early learning building projects.</li> <li>Housing projects.</li> <li>Large-scale infrastructure projects (with a small number of councils underspending in relation to projects being delivered as part of their City Deals).</li> </ul>	<ul style="list-style-type: none"> <li>Project and programme slippage, caused by a range of supply chain and capacity issues.</li> <li>Project delays caused by cost, contract and legal negotiations and unexpected issues arising during the course of works.</li> <li>Project deferment.</li> </ul>

Source: Council data returns

**35.** Managing their capital programmes is an important tool for councils to control their annual expenditure. All but two councils reported having a multi-year capital plan in place. These covered a range of periods from five to 30 years, with most covering five to ten years. South Lanarkshire and Stirling councils both reported only having an annual capital plan in place. A multi-year plan allows councils to manage their capital spending over this period.

**36.** However, consistently failing to invest in estates and infrastructure increases the risk that asset failures may impact services, projects will become more expensive to deliver, and that maintenance spending will need to increase due to assets becoming older. It also impacts the ability of councils to manage their overall estates, identify surplus assets and consider the efficiency of partnership working, including co-location with other services.

## **Borrowing means debt has again increased, and further borrowing will be needed to invest in new schools**

**37.** Due to the increased reliance on borrowing to fund investment, councils' net debt has now risen to £19.8 billion. This is an increase of 15.8 per cent from 2022/23 and a 29.7 per cent increase since 2018/19. All but one council increased their debt in 2023/24. The cost of servicing debt has risen, with a 16 per cent rise in interest payable and similar charges since 2022/23. Interest payable as a proportion of net cost of services, was six per cent compared to five per cent in 2022/23.

**38.** Under **LEIP**, councils borrow to meet the cost of building new schools, with the Scottish Government providing revenue grant funding over a 25-year period linked to specific outcomes (maintenance, energy efficiency, digital infrastructure and job creation) to meet maintenance and life-cycle costs. Councils, however, need to fund the £1 billion cost of building schools, including any interest on the money borrowed to fund this. The programme has faced significant delays and cost increases and, to complete the programme by the planned date of 2027, significant further borrowing by councils will be needed.

**39.** Alongside investing and maintaining their own estates, councils have made use of a range of different Public Private Partnership (PPP) contracts to invest in their estates. A number of earlier Private Finance Initiative (PFI) contracts are now nearing the end of their terms. Councils are having to prepare for, and manage, complex closing arrangements. Councils have already entered into negotiations relating to contracts that are ending, with 10 PFI contracts due to expire by the end of 2030.



In September 2019, the Scottish Government announced it would support £1 billion of capital investment in the school estate on a match-funding basis. In consultation with councils, this created a joint £2 billion **Learning Estate Improvement Programme (LEIP)**, enabling additional investment without the use of private finance contracts. Councils provide upfront capital funding and Scottish Government revenue follows over 25 years for achievement of outcomes.

**40.** By making use of **financial flexibilities** across 2022/23 and 2023/24, councils have been able to reprofile the debt associated with PPP contracts. This has allowed councils to recognise significant gains from annual contractual payments they have previously made, recognising these within their usable reserves. Future capital expenditure will be able to be offset against these, but they are not cash backed. This means the need for councils to borrow to finance their future capital investment has not changed, nor have their current external debts. Alongside LEIP projects, councils have already committed to significant future borrowing.

**41.** Councils set and agree their borrowing and treasury management strategies individually, deciding on what is a prudent and affordable level of debt under the Prudential Code. As part of this, a range of indicators are considered, including the cost of servicing their debts, to show that capital plans are affordable and sustainable. Increased borrowing means increased costs that will need to be met annually from revenue budgets. While auditors have not expressed specific concerns about the level of borrowing (in the 15 annual audit reports that were available at the time of our review), it is a factor in the assessment of financial sustainability and auditors are expressing greater concerns about the overall financial sustainability of councils ([paragraph 58](#)).



Between 2020 and 2024, the Scottish Government permitted councils to make use of a range of **financial flexibilities** to manage financial pressures. One of these related to service concessions (including PPP) and allowed councils to reprofile debt repayments. This offered an immediate benefit of significant one-off increases to reserves but these are not cash backed, and debt payments will need to be made for longer, deferring costs to later years which has implications for future revenue budgets.

# 3. Financial position and outlook

Using reserves to manage financial pressures and stay within agreed budgets is not sustainable. Usable reserves fell in 2023/24, and most are committed for specific purposes. Progress on transformation and reform must be prioritised to ensure longer-term financial sustainability.

## Councils' usable reserves remain higher than before the pandemic, mainly due to the use of financial flexibilities, but decreased in 2023/24

**42.** Holding and using reserves is a normal, and helpful, way of managing council finances but reserves are a one-off resource meaning councils need to carefully plan and monitor how these are being used. Using reserves to support services in the short term is not sustainable unless they are used to support service transformation and generate future savings.

**43.** In 2023/24, councils' total usable reserves decreased by five per cent to £4.1 billion which equates to around 25 per cent of net cost of services. The overall decrease is attributed to a fall in capital reserves along with a very modest increase in revenue reserves ([Exhibit 8, page 25](#)).

**44.** Usable reserves remain £1.66 billion higher than before the pandemic. Revenue reserves were boosted in recent years by:

- Covid-19 funding, but these are largely exhausted with only around £67 million remaining earmarked (2.8 per cent of the committed General Fund balance)
- making use of financial flexibilities related to service concessions, resulting in reprofiled debt and significant one-off increases to reserves. Although an accounting adjustment, and not cash backed, these can be used to support services.



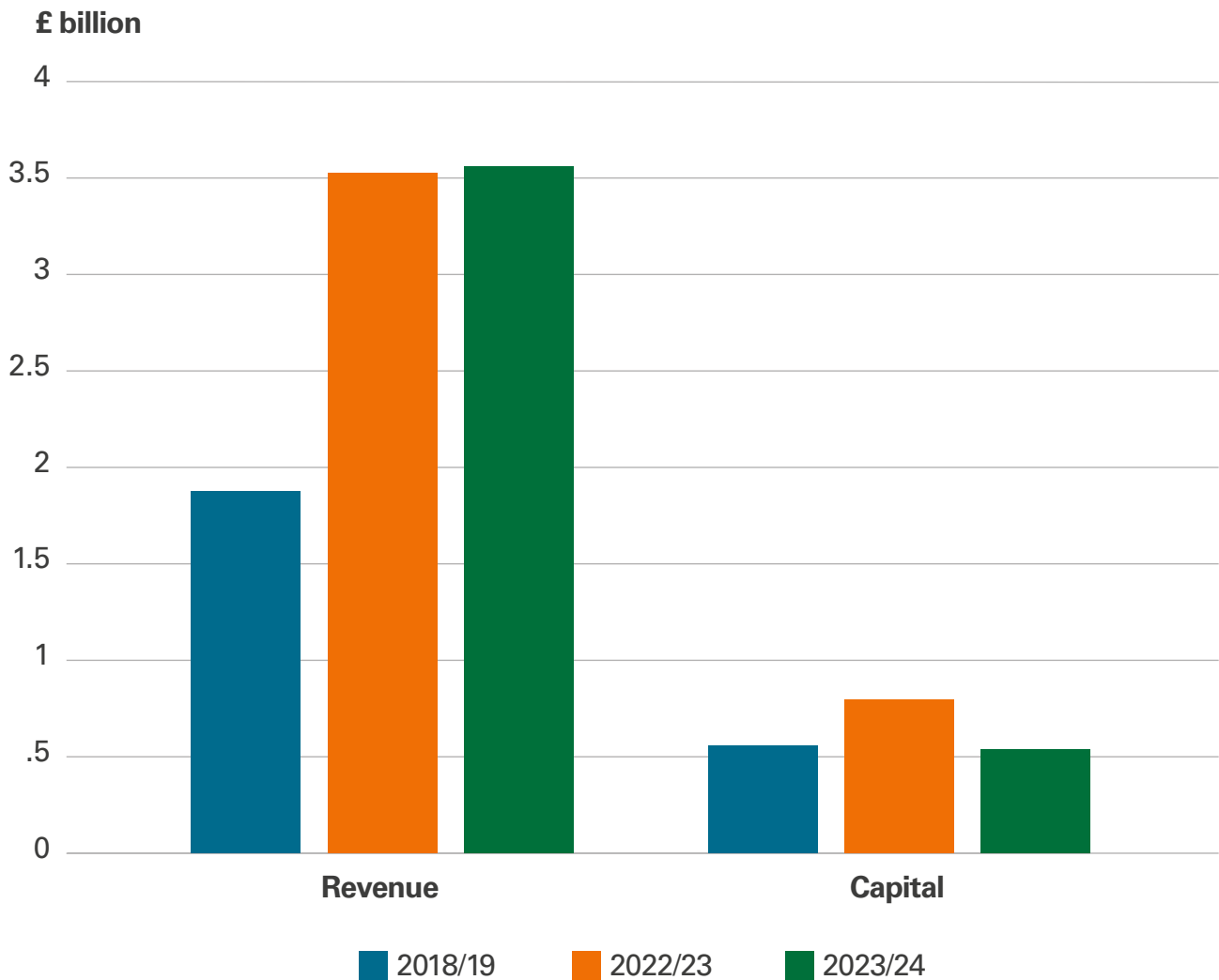
**Usable reserves** can be used to support service delivery, and to meet in-year expenditure (and are sometimes referred to as cash backed reserves).

**Unusable reserves** represent accounting adjustments to reflect things such as an increase in the value of council-owned buildings. They generally cannot be routinely accessed or used to support services.

## Exhibit 8.

### Councils' usable reserves, 2023/24 compared to 2022/23 and 2018/19

Revenue reserves are higher than pre-pandemic but have remained relatively static in the last year.



Note: Total usable reserves were £4.1 billion in 2023/24. Between 2022/23 and 2023/24 revenue reserves increased by 0.8 per cent, capital reserves fell by 33 per cent. Total usable reserves are 68 per cent higher than in 2018/19, up from £2.4 billion (90 per cent increase in revenue reserves, four per cent decrease in capital reserves)

Source: Councils' annual accounts 2023/24 (audited and unaudited)

**45.** The overall decrease in usable reserves in 2023/24 is notable as they have been increasing significantly in recent years. Two-thirds of councils still increased their total usable reserves, but this is largely attributable to councils making use of financial flexibilities (a number of councils accounted for this in 2022/23, while others introduced it in 2023/24).

**46.** Around a third of councils saw their total usable reserve fall in 2023/24, including some large decreases related to the drawing down of committed reserves. These reserves were used for Equal Pay settlements, pay awards, budget support and the further deployment of Covid-19 reserves.

### General Fund reserves increased slightly but over 80 per cent are committed for specific purposes

**47. General Fund** reserves (excluding the HRA element which not all councils have) continued the upward trend of the past five years, increasing by three per cent in 2023/24 to £2.8 billion. This equates to 17 per cent of net cost of services and is driven by growth in **committed reserves**. **Uncommitted reserves** have remained constant at between two and three per cent of net cost of services ([Exhibit 9, page 27](#)).

**48.** In 2023/24, over 80 per cent of the General Fund was committed. This means that it has been allocated for specific purposes and is not readily available for other uses.



The **General Fund** is the principal usable revenue reserve held by councils. It can be used for a wide range of purposes, including bridging budgets gaps as it can be used to finance spending on services or some elements of capital spending.

The Housing Revenue Account (HRA) reserve can only be used to fund spending on council-owned housing.



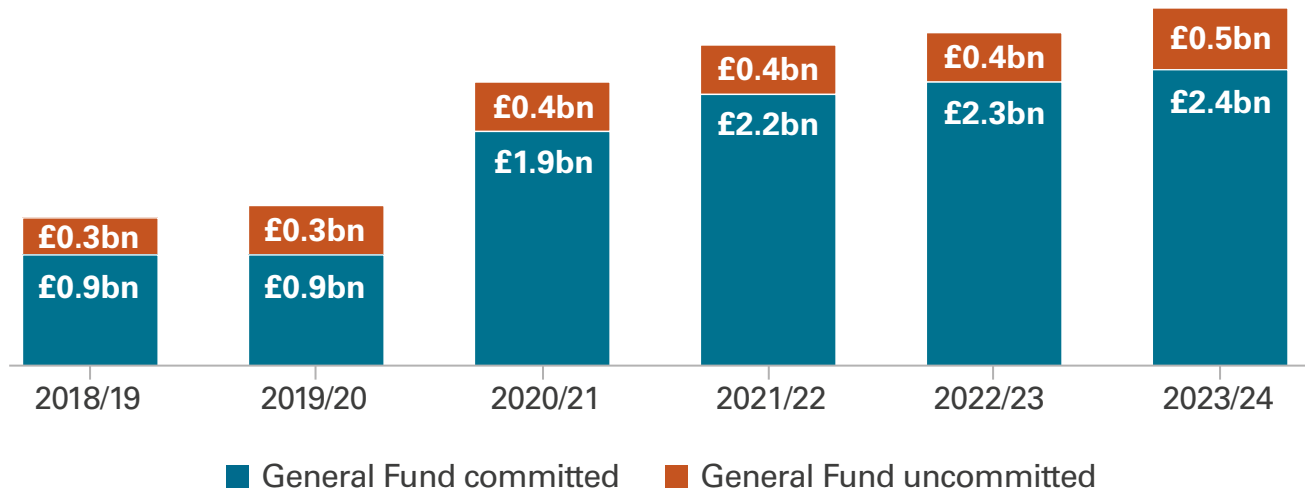
**Committed reserves** have been allocated (or earmarked) for specific purposes and are not readily available for other uses.

**Uncommitted reserves** can be deployed more easily and, because of the nature and scale of it, the uncommitted element of the General Fund can be considered to represent a degree of contingency funding.

## Exhibit 9.

### Councils' General Fund balance between 2018/19 and 2023/24, split by committed and uncommitted

General Fund reserves are increasing but over 80 per cent is committed.



Source: Councils' annual accounts 2023/24 (audited and unaudited)

### Some councils' levels of uncommitted reserves are low, but they have specific reserves earmarked for contingency

**49.** Councils have reserve policies in place, which set out the rationale for the minimum level of uncommitted reserves held by the council. Most have an agreed minimum level, usually two per cent of their net budgeted revenue expenditure, although four councils have set this higher.

**50.** In 2023/24, nine councils had an uncommitted reserves level of less than two per cent of net budgeted revenue expenditure. However, a review found that in many cases these low reserve levels were planned decisions and the levels were deemed to be sufficient and/or supported by additional committed funds for contingencies. Aberdeenshire, South Ayrshire and West Dunbartonshire all had uncommitted reserves below their minimum level and intend to review this during 2024/25.

**51.** While councils hold uncommitted reserves for contingencies, around a third reported also earmarking some reserves specifically for contingencies to either manage budget risks or specific risks, such as adverse weather. The nine councils providing information on the value of the reserves earmarked for contingencies reported a total of £50 million.

## **Councils continue to use their reserves to manage budget pressures, but this is not sustainable**

**52.** While overall usable reserves levels remain high, there is evidence that councils are continuing to use reserves to support service spend and this is not sustainable. In 2023/24:

- Councils bridged over a quarter of their budget gap using reserves (£202 million).
- Twelve councils reported making unplanned use of reserves in 2023/24, to support in-year spending and to balance the outturn position. This was most often to cover the cost of the 2023/24 pay award; to address specific service or project pressures, or to provide financial support to IJBs.

**53.** Usable reserves held as a proportion of spending has reduced. In 2023/24, 15 councils held usable reserves that were over 20 per cent of their net cost of services, which is less than 2022/23 (20 councils) but still higher than before the pandemic (nine councils). This indicates that reserves are increasing at a slower rate than expenditure, even with use of financial flexibilities. One council had total usable reserves of less than ten per cent of their net cost of services.

## **Councils could improve how clearly they report on how they intend to use their reserves**

**54.** With the use of reserves to support services and the low level of uncommitted reserves across the sector it is increasingly important that councils report how and when they intend to make use of their reserves ([Case study 1, page 29](#)).



## Case study 1.

### Councils could be more transparent within their published plans about how they intend to make use of reserves

A review of councils' management commentaries found that all councils clearly identify key areas of reserves and explain their purpose, with most identifying their minimum reserve level.

All but two councils reported, through their data return, that they formally document or publish at least some information about their committed reserves. Committed reserves information is usually documented in councils' accounts or financial outturn reports, and sometimes in other formats, such as reserves reports. Few councils reported documenting information in performance monitoring reports.

Nearly all councils publish and document a full costed breakdown of committed reserves categories and details of what has been drawn down within the year. Although most formally document what is committed for major initiatives, this information is not always published. Only two thirds of councils document or publish information on planned spend for future years.

Source: Council data returns and Council annual accounts 2023/24 (audited and unaudited)

### Recent changes to pension contribution rates offer councils a short-term window to reduce costs

**55.** The result of the 2023 triennial revaluation showed a significantly improved funding position across Scotland's 11 local government pension funds. Councils are using this as an opportunity to lower their employer contributions and reduce their costs in the short-term. The 12 councils who are members of Strathclyde Pension Fund are reducing their contribution rates from 19.3 per cent to 6.5 per cent for 2024/25 and 2025/26 (increasing to 17.5 per cent in 2026/27), significantly reducing their annual contribution costs for two years. Other councils are making more modest reductions to their contribution rates of between two and three percentage points.

### Ensuring medium- and long-term financial sustainability is a significant challenge

**56.** The risks to financial sustainability are well known. These include external factors such as increased demand, demographic changes and the need to invest significantly to address certain policy areas such as climate change and its impact. There are also specific pressures that councils identified as presenting risks to achieving future financial balance/sustainability including:

- **Uncertainty about future funding:** single-year settlements, ring-fencing of funding and directed funding for specific Scottish Government policies limiting local flexibility (for example, teacher numbers, social care provision and IJB allocations).
- **Council tax freezes:** while there is no freeze in 2025/26, the Scottish Government froze council tax between 2008/09 and 2016/17, and in 2021/22, and capped increases at three per cent in 2017/18 and 2018/19. The risk of future freezes is seen as a main challenge to ensuring medium- to long-term financial sustainability. Even when 'fully funded' a council tax freeze suppresses the growth of the council tax base over that period and the income generated when the freeze is lifted is lower than if councils were able to make tax-raising decisions at a local level.
- **Pay awards and employers' NI costs:** overspends have been caused by pay awards, with some councils reporting that the budgets provided are not enough to cover the costs or these costs are unfunded. In 2023/24, three councils made unplanned use of reserves to meet pay awards and there is ongoing uncertainty about the scale of future annual offers. There is now also uncertainty over how increased employers' NI contributions will be funded.
- **Inflationary pressures:** general pressures and some specific issues that impact the delivery of capital programmes (costs of goods and services, service demand, public perception, borrowing, funding, increasing standards and difficulty with asset sales).
- **Savings:** some councils cited the challenge of identifying and achieving recurring savings.

**57.** Most councils reported that financial sustainability was a significant challenge. Some specific challenges reported by councils include:

- Angus Council reported the need for change if they are to be financially sustainable over the medium to long term. The scale of reductions required could leave some services unable to function.
- East Lothian Council identified critical risks to its fiscal sustainability and reported managing their financial environment as the highest ever scoring risk on their Corporate Risk Register.
- Inverclyde Council reported that ongoing depopulation may mean significant future funding reductions.
- Orkney Islands Council highlighted the growing contribution from reserves to meet in-year service costs as being unsustainable.
- Shetland Islands Council reported they were financially unsustainable on the basis of current plans.

**58.** Alongside councils' own assessment of their financial sustainability, many auditors highlighted in their 2023/24 annual audit reports (15 available for review) the challenges councils face in achieving financial balance in future years and securing long-term financial sustainability. These centred on the scale of budget gaps; the need to keep on top of savings plans; low levels of uncommitted reserves; unsustainable cost bases and the difficult choices to be made.

## **Councils have medium-term financial plans in place but must now make progress on transformation and reform**

**59.** While several councils reported confidence that they had robust processes and actions in place to ensure they were financially sustainable, councils largely reported that it is difficult to plan into the future without clarity on medium- or long-term government funding and priorities, stating there is general economic uncertainty and volatility. This difficulty, however, underlines the importance of councils ensuring that they have a clear understanding of risks to their financial positions, effective risk management processes to monitor these, and indicative forecasts informed by scenario planning.

**60.** All councils that provided data returns to us reported having medium-term financial plans in place, with most of these spanning 3-5 years (25 out of 30 councils). Most councils (25) reported that they reviewed their financial plans in 2024. Half of councils (15 out of 30) have a long-term financial plan in place and, for those that do, most cover a 10-year period.

**61.** As we set out in our recent [Transformation in councils](#) report, councils must prioritise and progress the delivery of their plans for transformation. And a step change is needed in terms of scale and pace. That could look like new innovative approaches to service delivery, reconsidering which services could be more effectively delivered by other partners, exploring opportunities for new income generation (including those that are being legislated for) or identifying how economies of scale could be achieved by sharing services.

**62.** Delivering transformation successfully requires resources to be committed towards it and it is positive to see that most councils (27 from our data return sample of 30) reported holding reserves earmarked for transformation. Glasgow, Orkney and Shetland did not. Of the 26 providing information on the value held, a total of £270 million was reported which is about 13 per cent of committed General Fund balance and equates to two per cent of the net cost of services. Most councils' transformation reserves were equivalent to two per cent or lower of net cost of services, but some earmarked a significantly higher proportion. Argyll and Bute earmarked the equivalent of ten per cent of net cost of services, Scottish Borders six per cent, and Aberdeenshire, East Lothian and Highland all earmarked five per cent.



**Transformation** is our next Best Value thematic focus and we will be auditing councils' plans for transformation as part of the 2024/25 annual audit.

## Councils could make more use of financial sustainability indicators, including to inform their longer-term planning

**63.** Assessing and monitoring financial sustainability is essential. Councils use a range of indicators to do so, but the type used, and extent of their use, varies. The Local Government Benchmarking Framework includes sustainability indicators, currently being reviewed by Directors of Finance, to ensure that they remain appropriate, and CIPFA also recommends indicators. Councils are not required to use specific indicators and have discretion as to how they assess their own financial sustainability.

**64.** We asked councils how they assess and monitor financial sustainability, including how this is reported to elected members:

- Around three-quarters of councils use the Local Government Benchmarking Framework Indicators and the CIPFA level of reserves indicator.
- Around a third of councils use the CIPFA change in reserves and reserves sustainability measures.
- Some councils reported that they use their own equivalent calculations or different indicators including outturn against expenditure, ratio of council tax to overall funding, ratio of financing costs to net revenue stream, external debt and borrowing levels, and recurrent versus non-current budget mitigation.

**65.** Most councils reported that they assess and monitor financial sustainability more generally, such as via the regular monitoring of budgets, reserves and the capital financing requirement; and carrying out periodic risk assessments. For example, East Ayrshire Council's 'East Ayrshire Performs' reports financial and service performance information about the council publicly, including a suite of financial resilience indicators, focusing on council reserves and liquidity but also capital financing, investment and borrowing.

**66.** Most councils include and consider financial indicators within their financial plans, with 17 councils including an analysis of financial sustainability and/or resilience indicators within their medium-term financial plans and nine within their longer-term plans.

**67.** All councils reported to us that elected members had been provided with a summary of the council's medium- to long-term financial sustainability but more needs to be done to regularly and formally report upon the consideration of financial sustainability. This should be reported publicly, as a minimum, as part of annual budget-setting papers and within annual refreshes of financial plans.

## Financial outlook

**68.** Within this report we outline the financial challenges Scotland's councils are now facing. While indications are that the 2025/26 budget will result in increased funding, and councils are now free to vary council tax rates, it is unlikely that increased funding and income will be able to keep pace with increasing costs. In recent years councils have been able to increase the reserves they hold, but much of this has been due to additional Covid-19 funding, use of financial flexibilities and other one-off actions. The initial benefits of these measures, and the reserves that councils were able to build, do not negate the need for significant reform and transformation. 2023/24 saw a reduction in usable reserves and while this represented only five per cent of these reserves, this was equivalent to over eight per cent of the usable reserves held as recently as 2019/20.

**69.** How councils plan to use their reserves, make savings and transform their services needs to become more transparent as financial sustainability issues are to be addressed. The need to consult local communities and clearly communicate the implications of budget decisions has never been more important.

**70.** Our next Local government in Scotland publication, [Local government budgets 2025/26](#), will examine the steps that Scotland's councils take as they set their budgets for 2025/26, setting out the finalised funding settlement from the Scottish Government, decisions taken in setting council tax and the steps they intend to take to fund and transform services.

# Appendix 1

## Progress against the recommendations in Local Government in Scotland Financial Bulletin 2022/23

Councils should:	Progress/ status
Prioritise the achievement of recurring savings and avoid reliance on non-recurring savings to enhance longer-term financial sustainability	<p><b>In progress/Limited progress</b></p> <p>The overall extent of progress against this recommendation is difficult to assess due to a lack of detail and transparency in reporting on recurring and non-recurring savings performance (<a href="#">paragraph 30</a>).</p> <p>An updated recommendation on savings performance and transparency is included in this report.</p>
Ensure that management commentaries are open and transparent, include a clear link between budget outturn and the financial performance in the accounts and report on the achievement of planned savings targets	<p><b>In progress</b></p> <p>Our review of 2023/24 management commentaries found that that most councils reported outturn against budget with significant variations explained. However not all councils provided sufficient information on savings target achievement.</p> <p>An updated recommendation on savings performance and transparency is included in this report.</p>
Provide clear statements about reserves policy and explicitly set out the purpose of committed reserves within their annual accounts. This will enhance the level of assurance that councils can provide regarding their ongoing financial sustainability	<p><b>Complete / In progress</b></p> <p>A review of available councils' management commentaries found that key areas of reserves were clearly identified, with the purpose explained and the majority identifying a minimum reserve level. However publication of committed reserve information was less well evidenced (<a href="#">Case study 1</a>).</p> <p>An updated recommendation on greater transparency of reserves is included in this report.</p>

Cont.

Councils should:	Progress/ status
<p>Ensure effective and timely consultation and engagement with communities on the options that must be considered to achieve a balanced budget</p>	<p><b>In progress</b></p> <p>Less than half of councils stated, via our data return, that public consultation was undertaken when preparing budgets for 2023/24. In our Local government budgets 2024/25 publication, 24 out of 32 councils stated they undertook community engagement on financial pressures.</p> <p>We will follow this up in our budget briefing in Spring 2025 when we look at councils' 2025/26 budget setting.</p>
<p>Strengthen their monitoring and reporting of financial resilience including clearer and more public-facing use of performance against financial resilience indicators and measures. Financial resilience indicators should be a component of councils' medium and longer-term financial plans to provide assurance that they are balancing short-term pressures with robust planning for long-term financial sustainability</p>	<p><b>In progress</b></p> <p>Most councils reported that they assess and monitor financial sustainability, with financial indicators used in financial plans, with 17 explicitly using these within their medium- and long-term financial plans <a href="#">(paragraphs 63 - 67)</a>.</p> <p>An updated recommendation on the use of financial indicators in monitoring and reporting is included in this report.</p>
<p>Work with the Scottish Government to build momentum and accelerate progress in the development of a fiscal framework for local government to enhance the clarity and certainty of budgets for councils in future years</p>	<p><b>In progress</b></p> <p>We understand that COSLA and the Scottish Government have been progressing the development of a fiscal framework</p>

Local government in Scotland

# Financial bulletin 2023/24



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29 April 2025

Agenda Item No. 7

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## Issued Audit Reports

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**Report by:** Pamela Redpath, Service Manager, Audit and Risk Management Services

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**Wards Affected:** All

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### Purpose

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To submit to Members of the Standards, Audit and Risk Committee a summary of findings from the Internal Audit Reports that have been finalised since the last meeting of the Standards, Audit and Risk Committee. The reports highlight any areas of concern and, if applicable, instances where Services are not taking appropriate action.

### Recommendation(s)

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Members are asked to note the contents of this report, including the summary of findings at Appendix 1.

### Resource Implications

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None.

### Legal & Risk Implications

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Without suitable internal controls, there is an increased risk that Services and / or the Council will not achieve their objectives.

### Impact Assessment

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An Equality Impact Assessment is not required because the report is not proposing a change or revision to existing policies and practices.

### Consultation

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Audit Services has consulted all subjects of the audit reports.

## 1.0 Background

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- 1.1 Audit Services provides an assurance function that gives the Council an independent and objective opinion on the control environment by evaluating its effectiveness in achieving its objectives. It examines, evaluates and reports objectively on the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 This report provides a summary of audit reports issued since the last report to this Committee. It describes key findings and highlights areas of concern.

## 2.0 Analysis of Issued Audit Reports

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- 2.1 To enable the Standards, Audit and Risk Committee to form an opinion on the effectiveness of the internal control environment, to provide assurance where internal controls are working well and to highlight areas for concern, the Service Manager - Audit and Risk Management Services prepares a report which provides a summary of the audit reports issued by Audit Services.
- 2.2 The reports issued in the current period relate to audits delivered from the 2023/24 and 2024/25 Internal Audit Plans. A short outline of each report is contained in Appendix 1.
- 2.3 Following each completed internal audit / fraud risk report, Services are asked to complete a Post Audit Review (PAR) exercise. This indicates:
  - the Service's progress in implementing agreed recommendations;
  - reasons for non-implementation; and
  - explanations for redundant recommendations.
- 2.4 The results of all PAR exercises are reported to Standards, Audit and Risk Committee separately.

## 3.0 Conclusions

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- 3.1 The one critical recommendation made in Report 08/23, Community Equipment Service – Fife Equipment Loan Store (FELS) has now been partially implemented as evidenced by the introduction of process maps. These maps document the service process to ensure that equipment is safe for all users.
- 3.2 This period's audits reveal some instances of non-compliance with the Council's governance arrangements. However, these are not systemic failings and, in general, satisfactory procedures are in place and being followed. Appropriate actions have been agreed in all instances to address these shortcomings.
- 3.3 I conclude that the findings do not pose a significant risk and implementation of all actions will improve the Council's control framework.

### List of Appendices

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1. Summary of Audit Reports Issued

Report Contact: Carolyn Ward

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SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS						
<p><b>1. Finance and Corporate Services</b></p> <p><b>Revenue and Commercial Services, Procurement</b></p> <p>Regulated Procurement</p> <p>Report (19/23)</p>	<p>This audit is a review of the governance arrangements that ensure regulated procurement activity complies with relevant legislation, regulations and statutory guidance, including areas of delegated procurement. It forms part of the 2023/24 Internal Audit Plan and has been conducted in conformance with the Public Sector Internal Audit Standards (PSIAS).</p> <p><u>Audit Opinion:</u></p> <table border="0"> <tr> <td>• Level of Assurance</td><td>Grade 2</td></tr> <tr> <td>• System Materiality</td><td>Grade 5</td></tr> <tr> <td>• Overall Risk</td><td>Medium</td></tr> </table> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• The Regulated Procurement Process maps and the Contract and Supplier Management – Process and Guidance Manual were due for review by 31 January 2025. This did not take place; however, these documents are scheduled for their annual review later this year as part of a broader update of policies.</li> <li>• Review due dates are not always recorded on the Document Control Log, which is used to track documents, templates and procedures. Some key documents are recorded on a separate document review sheet.</li> <li>• While legislation mandates that the Annual Procurement Report be published as soon as reasonably practicable after the financial year, the report was issued eight months later due to Committee timetabling.</li> <li>• There is no formal process in place to ensure that peer review checks of tender documentation are conducted when required. While such reviews are said / understood to take place, there is no documented evidence to support this.</li> <li>• The Procurement Team monitors and manages spend to identify and address repetitive / high value expenditures that may fall within regulated procurement areas. However, this process is conducted on an ad hoc basis or when resources allow, rather than as part of a structured process and documented procedure.</li> <li>• There is an inconsistent use of document sets by different individuals in SharePoint, which can lead to inefficiencies and difficulties in document retrieval.</li> </ul> <p>Satisfactory actions have been agreed to address the six audit recommendations (6 Moderate) in the report by 31 December 2025.</p>	• Level of Assurance	Grade 2	• System Materiality	Grade 5	• Overall Risk	Medium
• Level of Assurance	Grade 2						
• System Materiality	Grade 5						
• Overall Risk	Medium						

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
<p><b>2. Finance and Corporate Services</b></p> <p><b>Financial Services</b></p> <p>Reconciliation Framework</p> <p>Report (20/23)</p>	<p>This audit is a review of the Council's reconciliation framework in place to help ensure financial integrity, including procedures, reconciliations register, timetables, responsibilities, and monitoring arrangements. It forms part of the 2023/24 Internal Audit Plan and has been conducted in conformance with the Public Sector Internal Audit Standards (PSIAS). The report also aligns with the newly introduced Global Internal Audit Standards in the UK Public Sector.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 3</li> <li>• System Materiality                      Grade 4</li> <li>• Overall Risk                                  Medium</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• While the quarterly Reconciliations Review report for the Finance Management Team serves as the official record for key financial system reconciliations, there is no formal, documented Reconciliation Framework which identifies key reconciliations for financial systems and interface systems. There is also no clear policy, procedures / guidelines outlining roles and responsibilities, reconciliation methodologies or best practice. Additionally, there is also no guidance on how reconciliations should be presented, what they should include and the process for the treatment of reconciling items, such as write-offs.</li> <li>• There are no written procedures in place for two of the five reconciliations reviewed as part of the audit fieldwork: Investments General Fund to Ledger to Cash Book reconciliation and Risk Management Clearing Account.</li> </ul> <p>Satisfactory actions have been agreed to address the two audit recommendations (1 Substantial, 1 Moderate) in the report by 31 October 2025.</p>
<p><b>3. Communities</b></p> <p><b>Housing Services</b></p> <p>Follow-Up to Report 20/22 - Homelessness</p> <p>Report (03/24)</p>	<p>The 2024/25 Internal Audit Plan contains an allocation of days for Audit Services to carry out formal follow-up reviews for a planned portfolio of audit reports. This allocation is used to assess, through the consideration of evidence, the extent to which recommendations previously agreed with management have been implemented.</p> <p>This audit is a follow-up review of Report 20/22, Homelessness which was issued on 7 June 2023. The follow-up was carried out in conformance with the Public Sector Internal Audit</p>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<p>Standards (PSIAS). The report also aligns with the newly introduced Global Internal Audit Standards in the UK Public Sector.</p> <p>The Audit Opinion in the original internal audit report concluded that the system of controls scored a Grade 2, and the materiality of the area scored a Grade 5, making the overall risk Medium. A number of areas for improvement were identified and 5 recommendations were made to address them, which Housing Services agreed to implement by 31 December 2023.</p> <p>A summary of progress made towards implementation of the 5 recommendations previously agreed with management is as follows:</p> <ul style="list-style-type: none"> <li>• 3 recommendations (1, 4 and 5*) have been fully implemented; and</li> <li>• 2 recommendations (2 and 3) are partially implemented</li> </ul> <p>* Recommendation 5 has been reported as fully implemented due to the progress made in reducing the use of unsuitable temporary accommodation. Ongoing efforts to further reduce reliance on Bed and Breakfast accommodations are also noted. However, it is important to acknowledge that this remains a persistent challenge. The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2017 (with its exceptions) continues to be breached. The breach was reported to the Scottish Housing Regulator in August 2022. Regular updates were provided to the People &amp; Communities Scrutiny Committee (PCSC), specifically within the Annual Assurance Statement 2024, presented to the September 2024 PCSC along with proposed improvement actions.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 2</li> <li>• System Materiality                      Grade 5</li> <li>• Overall Risk                                  Medium</li> </ul> <p><u>Findings:</u></p> <p>Further action is required as follows:</p> <ul style="list-style-type: none"> <li>• Instruction should be issued to all appropriate staff to advise that all required documents should be saved in SharePoint.</li> <li>• Instruction should be issued to all appropriate staff to advise that all records should be brought up to date with all known details in the HL1 system.</li> </ul>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	Satisfactory actions have been agreed to address the 2 outstanding audit recommendations (2 Substantial) in the report by 31 May 2025.
<p><b>4. Finance and Corporate Services</b></p> <p><b>Business Technology Solutions</b></p> <p>Follow-Up to Report 86, COBIT 5 Assessment Review Process</p> <p>Report (04/24)</p>	<p>The 2024/25 Internal Audit Plan contains an allocation of days for Audit Services to carry out formal follow-up reviews for a planned portfolio of audit reports. This allocation is used to assess, through the consideration of evidence, the extent to which recommendations previously agreed with management have been implemented.</p> <p>This audit is a follow-up review of Report 86, COBIT (Control Objectives for Information and Related Technology) 5 Assessment Review Process which was issued on 30 May 2022. The follow-up was carried out in conformance with the Public Sector Internal Audit Standards (PSIAS). The report also aligns with the newly introduced Global Internal Audit Standards in the UK Public Sector.</p> <p>The Audit Opinion in the original internal audit report concluded that the system of controls scored a Grade 4, and the materiality of the area scored a Grade 3, making the overall risk Medium. A number of areas for improvement were identified and 5 recommendations were made to address them, which Communities &amp; Corporate Development and BTS agreed to implement by 30 October 2022. Extensions to the implementation dates were agreed with Audit Services with recommendations one, two and three revised to 30 April 2024 and recommendation five revised to 1 February 2024.</p> <p>A summary of progress made towards implementation of the 5 recommendations previously agreed with management is as follows:</p> <ul style="list-style-type: none"> <li>• 2 recommendations (1 and 4) are partially implemented;</li> <li>• 2 recommendations (3 and 5) are not implemented; and</li> <li>• 1 recommendation (2) is no longer applicable.</li> </ul> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 4</li> <li>• System Materiality                      Grade 3</li> <li>• Overall Risk                                  Medium</li> </ul> <p><u>Findings:</u></p> <p>Further action is required as follows:</p>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<ul style="list-style-type: none"> <li>• To ensure that outcomes are effectively achieved and levels of COBIT maturity are accurately verified, all process reviews should be supported by sufficient and up to-date evidence. The current procedure should be further developed to provide a more comprehensive and detailed framework for the review and assessment process. It should clearly outline the steps for gathering, reviewing and documenting findings.</li> <li>• The timetable should be updated with clear deadlines and timescales for each stage of the process, which should be agreed by all parties involved in the review process. A designated individual should be assigned responsibility for updating and maintaining the schedule. The Team should monitor progress against the planned dates / schedule addressing any delays or changes promptly. Given the limited experience of the Team, it should adopt a flexible timetable and regularly review progress to adjust estimated times as required.</li> <li>• At the end of Tranche 1 and at the conclusion of each subsequent tranche, the Team should ensure that an Action Plan Workshop is held, a Tranche Review Report is produced and the dates are recorded in the timetable.</li> <li>• The team members involved in the COBIT assessments should undergo additional, targeted training to enhance their understanding of the assessment process. This could include COBIT specific or relevant audit related training to ensure they are better equipped to support the process.</li> </ul> <p>Satisfactory actions have been agreed to address the 4 outstanding audit recommendations (2 Substantial, 2 Moderate) in the report by 30 September 2025.</p>
<p><b>5. Fife Health and Social Care Partnership and Place Directorate</b></p> <p>Follow up to Report 08/23, Community Equipment Service – Fife Equipment Loan Store (FELS)</p> <p>Report (05/24)</p>	<p>The 2024/25 Internal Audit Plan contains an allocation of days for Audit Services to carry out formal follow-up reviews for a planned portfolio of audit reports. This allocation is used to assess, through the consideration of evidence, the extent to which recommendations previously agreed with management have been implemented.</p> <p>This audit is a follow-up review of Report 08/23, Community Equipment Service – Fife Equipment Loan Store, Fife Health and Social Care Partnership and Place Directorate which was issued on 26 February 2024. The follow-up was carried out in conformance with the Public Sector Internal Audit Standards (PSIAS). The report also aligns with the newly introduced Global Internal Audit Standards in the UK Public Sector.</p> <p>The Audit Opinion in the original internal audit report concluded that the system of controls scored a Grade 4, and the materiality of the area scored a Grade 5, making the overall risk High. A number of improvements were identified and 11 recommendations (including 1</p>

SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<p>Critical) were made to address them, which the Fife Health &amp; Social Care Partnership and Place Directorate agreed to implement by 30 November 2024.</p> <p>A summary of progress made towards implementation of the 11 recommendations previously agreed with management is as follows:</p> <ul style="list-style-type: none"> <li>• 5 recommendations (1, 2, 5, 6 and 11) have been fully implemented;</li> <li>• 4 recommendations (4, 8*, 9 and 10) have been partially implemented;</li> <li>• 1 recommendation (7) has not been implemented; and</li> <li>• 1 recommendation (3) is no longer applicable.</li> </ul> <p>* Critical recommendation number 8 has been partially implemented, as evidenced by the introduction of process maps. These maps document the service process to ensure that equipment is safe for all users.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance                      Grade 4</li> <li>• System Materiality                      Grade 5</li> <li>• Overall Risk                                  High</li> </ul> <p><u>Findings:</u></p> <p>Further action is required as follows:</p> <ul style="list-style-type: none"> <li>• Following completion of the data cleansing review, the Stock Adjustment report should be run on a regular basis and reviewed by Management.</li> <li>• The stock write-off procedures should be updated to cover more detail e.g., which officer has the authority to write off stock. The procedures should also be dated and version controlled.</li> <li>• Consideration should be given to introducing a charging policy for equipment that is no longer required by service users and not returned, and this should be escalated through the relevant governance structures and recorded.</li> <li>• On receipt of equipment, service users should sign terms and conditions stating that, where the contractor is unable to obtain access to their home to service the equipment, as required under LOLER (Lifting Operations and Lifting Equipment Regulations 1998) and PUWER (Provision and Use of Work Equipment Regulations 1998), the user accepts the risk in continuing to use the equipment not serviced. For those services approaching their due date, regular, evidenced monitoring should be carried out until</li> </ul>



SERVICE, REPORT AND PURPOSE	SUMMARY OF FIFE COUNCIL AUDIT REPORTS
	<p>the equipment is serviced to ensure services are prioritised, scheduled and carried out before they become overdue.</p> <ul style="list-style-type: none"> <li>• Data cleansing of the information held in the TCES (Transforming Community Equipment Services) system should be carried out as a matter of priority. The scope of the exercise should be expanded to include removing duplicate service user numbers and finding out where equipment labelled as 'at Bankhead with customer' is located.</li> <li>• BTS should be contacted to give a timescale as to when they can begin the process of linking TCES and Oracle, and to include it in their workplan.</li> </ul> <p>Satisfactory actions have been agreed to address the 5 outstanding audit recommendations (1 Critical, 2 Substantial, 2 Moderate) in the report by 30 September 2025.</p>

29 April 2025

Agenda Item No. 8

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## Internal Audit Plan Progress Report

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**Report by:** Pamela Redpath, Service Manager, Audit and Risk Management Services

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**Wards Affected:** All

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### Purpose

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To submit to Members of the Standards, Audit and Risk Committee an update on the progress towards delivering the 2023/24 and 2024/25 Internal Audit Plans.

### Recommendation(s)

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Members are asked to note the update on progress towards delivering the 2023/24 and 2024/25 Internal Audit Plans at Appendix A and B respectively. The appendices have been updated to show the movement in status for each assignment since the last progress report was presented to Committee on 13 February 2025.

### Resource Implications

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None.

### Legal & Risk Implications

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Without suitable internal controls, there is an increased risk that Services and / or the Council will not achieve their objectives.

### Impact Assessment

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An EqIA has not been completed and is not necessary as the report does not propose a change or revision to existing policies and practices.

### Consultation

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None.

## 1.0 Internal Audit Plans – Progress Report

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- 1.1 From 1 April 2025, the UK Public Sector Internal Audit Standards (PSIAS) were replaced with the [Global Internal Audit Standards](#) (GIAS) together with a new [UK Application Note](#), which was developed by the UK Public Sector Advisory Board (IASAB) and adopted by the Relevant Internal Audit Standard Setters (RIASS). Collectively, these two documents are referred to as the GIAS in the UK Public Sector. In addition, CIPFA introduced a [Code of Practice for the Governance of Internal Audit in UK Local Government](#) to work alongside the new GIAS in the UK Public Sector, supporting authorities in establishing their internal audit arrangements and providing oversight / support for internal audit. It is aimed at those responsible for ensuring effective governance arrangements for internal audit, including local government bodies themselves, their audit committees and senior management.
- 1.2 The GIAS comprises 52 specific standards, organised over five domains under 15 guiding principles. These standards outline the necessary requirements and essential conditions for implementation. In relation to this committee report, Standard 8.1, Board Interaction, states that the Chief Audit Executive must “provide the board with information needed to conduct its oversight responsibilities” and “report to the board and senior management the internal audit plan.” In addition, Standard 8.3, Quality, states under Essential Conditions that the board should “assess the effectiveness and efficiency of the internal audit function. Such an assessment includes...reviewing...progress towards completion of the internal audit plan.” Standard 11.3, Communicating Results also supports this, stating that “the Chief Audit Executive must communicate the results of internal audit services to the board and senior management periodically...”
- 1.3 At a senior management level, this requirement is discharged by the Service Manager, Audit and Risk Management Services through established direct reporting channels to the Chief Executive, Executive Director of Finance and Corporate Services, Head of Finance (to whom the Service Manager, Audit and Risk Management Services reports administratively) and the Finance Management Team. This is the fifth report submitted to Committee that provides a progress update against individual assignments contained within the 2023/24 Internal Audit Plan and the second progress report for the 2024/25 Internal Audit Plan. See Appendices A and B, which have been updated to show the movement in status for each assignment since the last progress report was presented to Committee on 13 February 2025.
- 1.4 Since the 2024/25 Internal Audit Plan was approved, the ongoing relevance of individual assignments within it has been monitored by Audit Services in collaboration with Council services. The reasons for this are two-fold, ensuring assignments are prioritised for delivery when appropriate and that the Council continues to utilise its limited internal audit resources in the most efficient and effective way. Discussions with services are ongoing and it should be noted that requests have been received to delay a number of the audit assignments. Proposed amendments will be reported back to Standards, Audit and Risk Committee for consideration in June along with the 2025/26 Internal Audit Plan for approval.
- 1.5 Progression of several assignments in the Internal Audit Plans has been slower than anticipated due to combination of staffing and resource challenges within Audit Services and client services. More specifically, sickness absences and staff turnover / vacancies, have significantly impacted capacity, alongside the temporary secondment of two staff from Audit Services to the Corporate Fraud Team to help with managing the service and co-ordinating the Council’s participation in the National Fraud Initiative exercise.

Additionally, time has been dedicated to preparing for the introduction of the new GIAS in the UK Public Sector and CIPFA Code of Practice as well as investing significantly in team training and development.

- 1.6 The revised 2023/24 Internal Audit Plan is almost complete, with the exception of four audit assignments, three of which are nearing completion and one of which had been paused because of other priorities but is now being progressed. In relation to progress towards delivering the 2024/25 Internal Audit Plan, 20 (60%) of the 33 planned individual audit assignments and 5 (100%) of the 5 formal follow-ups within it have commenced and are at various stages of the internal audit process. An additional assignment on Council Tax Refunds is also being progressed following the significant fraud at Aberdeen City Council. For further information in relation to progress towards delivering the 2023/24 and 2024/25 Internal Audit Plans and the assignments within them, see Appendix A and Appendix B respectively.

## 2.0 Conclusions

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- 2.1 The revised 2023/24 Internal Audit Plan is almost complete, with the exception of four audit assignments, three of which are nearing completion and one of which had been paused because of other priorities but is now being progressed. Updates towards delivering those assignments will be submitted to the Standards, Audit and Risk Committee until their completion, along with further updates towards delivering the 2024/25 Internal Audit Plan.

### List of Appendices

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- A. 2023/24 Internal Audit Plan – Progress Report
- B. 2024/25 Internal Audit Plan – Progress Report

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## 2023/24 Internal Audit Plan – Progress Report

Not Yet Commenced	Planning	Fieldwork	Reviewing	Draft Report Issued	Complete / S,A&R Committee Date	
2023/24 INTERNAL AUDIT PLAN		Proposed Coverage			Status 13/02/25	Status 29/04/25
Governance Reviews						
Plan for Fife		Review of the governance arrangements in place to support delivery of the new Plan for Fife, including performance management and reporting arrangements.			Advice & Guidance	Advice & Guidance
Risk Management		High level review of the Council's risk management arrangements at a corporate and service level against recognised good practice.			Draft Report Issued	Draft Report Issued
Third Sector Funding		High level review of the Council's funding and governance arrangements in place for third sector against best practice principles, including the Accounts Commission's Following the Public Pound.			28/06/24	28/06/24
ICT Reviews						
User Access Levels		High level review of the appropriateness of user access levels and associated permissions for a sample of the Council's critical IT systems.			Reviewing	Reviewing
Data Centres		Review of the arrangements in place to ensure uninterrupted service delivery at the new data centre, including security arrangements, environmental controls, incident management and disaster recovery.			28/06/24	28/06/24
Systems Reviews						
School Transport		Review of the school transport policy in place for children with additional support needs, as well as the effectiveness of supporting processes and procedures developed to help ensure compliance.			23/05/24	23/05/24
Dangerous Buildings and Public Safety		High-level review to ensure that the Council is discharging its statutory duties in relation to dangerous buildings under the Building (Scotland) Act 2003.			28/06/24	28/06/24
GDPR - Data Breach Management		Review of the arrangements in place for data breach management to ensure Fife Council meets its GDPR obligations, including data breach detection, reporting, investigating and monitoring.			14/03/24	14/03/24
Discretionary Housing Payments		Review of the arrangements in place to administer Discretionary Housing Payment applications, determinations and awards in line with relevant Scottish guidance and regulations.			18/01/24	18/01/24

2023/24 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Status 13/02/25	Status 29/04/25
<b>Procurement / Contract Reviews</b>			
Procurement Cards	Corporate review of the internal controls in place to manage and monitor the use of procurement cards, including the authorisation of card transactions.	25/11/24	25/11/24
Regulated Procurement	Review of governance arrangements in place to ensure regulated procurement activity complies with relevant legislation, regulations and statutory guidance, including areas of delegated procurement.	Reviewing	29/04/25
ICT Contract Management	Review of ICT contract management arrangements to ensure that specifications are successfully delivered and, if required, remedial actions taken / escalation procedures are efficient and effective.	30/09/24	30/09/24
COMIS Replacement	Ongoing advice and guidance surrounding the COMIS replacement system, including attendance at the COMIS Replacement Board.	Complete	Complete
<b>Financial Reviews</b>			
Devolved School Management (DSM)	Review of the Council's DSM scheme against the Scottish Government and COSLA's DSM Guidelines and supplementary Common DSM Framework.	Planning	Fieldwork
Income Collection	Review of the income collection, recording and reconciliation arrangements in place to ensure data integrity and income maximisation for halls, centres and community use schools.	28/06/24	28/06/24
Pupil Equity Funding	Review of the framework in place to administer pupil equity funding and ensure that it is being effectively invested in line with the Pupil Equity Fund: National Operational Guidance.	18/01/24	18/01/24
Salary Overpayments	Review of Council's salary overpayments policy, processes and procedures in place to manage, monitor and mitigate salary overpayments, including recovery and write off procedures.	14/03/24	14/03/24
Reconciliation Framework	Review of the Council's reconciliation framework in place to help ensure financial integrity, including procedures, reconciliations register, timetables, responsibilities and monitoring arrangements.	Reviewing	29/04/25
UK Shared Prosperity Fund (UKSPF)	In line with the Cabinet Office Government Functional Standards and UKSPF guidance, provide the third line of defence assurance function.	Fieldwork	Fieldwork

2023/24 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Status 13/02/25	Status 29/04/25
<b>Contingency</b>			
Advice and Guidance	Provision of ad-hoc support to assist services in respect of specific queries and contribute to the delivery of improvements in the Council's framework of governance, risk management and control.	Advice & Guidance	Advice & Guidance
	<ul style="list-style-type: none"> <li>Members Expenses</li> </ul>	18/01/24	18/01/24
Follow-up Reviews	Specific reviews undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented:		
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 83 - IT Disaster Recovery</li> </ul>	18/01/24	18/01/24
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 91 - Recurring Payments</li> </ul>	30/09/24	30/09/24
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 04/22 - Information Security Management</li> </ul>	25/11/24	25/11/24
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 07/22 - Gas Safety</li> </ul>	23/05/24	23/05/24
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 14/22 - Safeguarding</li> </ul>	28/09/23	28/09/23
Post Audit Reviews (PARs)	Completion of the PAR exercise whereby formal assurances are obtained from management that internal audit recommendations have been implemented.	23/05/24	23/05/24
External Quality Assessment Process	As part of the peer review process developed to ensure conformance with the PSIAS, deliver an external quality assessment of the internal audit service provided in another Scottish Local Authority.	Draft Report Issued	Complete
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	Complete	Complete

## 2024/25 Internal Audit Plan – Progress Report

<b>Not Yet Commenced</b>	<b>Planning</b>	<b>Fieldwork</b>	<b>Reviewing</b>	<b>Draft Report Issued</b>	<b>Complete / S,A&amp;R Committee Date</b>
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<b>2024/25 INTERNAL AUDIT PLAN</b>	<b>Proposed Coverage</b>	<b>Status 13/02/25</b>	<b>Status 29/04/25</b>
<b><i>Governance Reviews</i></b>			
Business Continuity Planning	Review to assess the adequacy of the arrangements in place to ensure that critical services / functions can continue to be provided in the event of a major incident impacting the business.	<b>Planning</b>	<b>Fieldwork</b>
Artificial Intelligence (AI)	Review of the AI governance framework in place to mitigate associated risks and exploit associated opportunities, including policies, procedures, training and awareness.	<b>Not Yet Commenced</b>	<b>Not Yet Commenced</b>
Affordable Housing Programme	Review of the governance and procurement arrangements in place for the Affordable Housing Programme to ensure Fife Council meets its related legal and best value obligations.	<b>Not Yet Commenced</b>	<b>Not Yet Commenced</b>
Climate	Review to assess the arrangements / controls in place to mitigate climate change and sustainability risks from a strategy perspective, utilising the audit programme developed nationally by the Scottish Local Authorities Chief Internal Auditors' Climate Sub-Group.	<b>Not Yet Commenced</b>	<b>Fieldwork</b>
Plan for Fife	Further review of the governance arrangements in place to support delivery of the new Plan for Fife, including performance management and reporting arrangements.	<b>Planning</b>	<b>Planning</b>
Project Management	Review of the Council's project management arrangements to ensure the efficient and effective planning, initiation, delivery, monitoring and evaluation of the key capital and revenue projects.	<b>Fieldwork</b>	<b>Fieldwork</b>
Partnership Working	High level review of the governance arrangements, including resource contribution policies, in place for partnerships with other local authorities to deliver a shared vision.	<b>Not Yet Commenced</b>	<b>Not Yet Commenced</b>
Fraud Governance	To assess the robustness of the framework in place within the Council to identify potential risks arising from fraud and the measures in place to mitigate these.	<b>Not Yet Commenced</b>	<b>Not Yet Commenced</b>
Corporate Governance	Review of governance assurance arrangements in place at a corporate and directorate level, including ALEO assurance, against CIPFA's Delivering Good Governance in Local Government Framework.	<b>Fieldwork</b>	<b>Draft Report Issued</b>
Future Workstyles	Review of the governance, monitoring and reporting arrangements in place to support the deployment of future workstyles and ensure consistency of approach e.g. blended and flexible working.	<b>Not Yet Commenced</b>	<b>Not Yet Commenced</b>



2024/25 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Status 13/02/25	Status 29/04/25
<b>ICT Reviews</b>			
Cybersecurity	Review of the cyber incident management arrangements in place to monitor, detect, analyse, prioritise and respond to cybersecurity incidents and threats via the managed Security Operations Centre.	Fieldwork	Fieldwork
Adelante	Review of the new cash receipting system, Adelante. Specific coverage to be agreed.	Planning	Planning
Liquidlogic	Review to assess the effectiveness of the deployment of the new children and adults case management system procured by the Council.	Planning	Planning
<b>Systems Reviews</b>			
Transition Arrangements	Review of the arrangements in place to ensure that the Council's statutory responsibilities, surrounding service users transitioning from children and families to adult services, can be evidenced through a framework of policies, procedures and working practices.	Not Yet Commenced	Not Yet Commenced
Assessment of Care Management	Review of the policy and supporting operating standards in place for social work assessment and review functions to ensure an individual's needs are assessed in line with national legislation, policy and guidance.	Not Yet Commenced	Not Yet Commenced
Festivals and Events	Review to assess the governance arrangements in place corporately to support festivals and events and ensure associated risks, including health and safety risks, are identified and mitigated.	Not Yet Commenced	Fieldwork
Construction Design Management (CDM)	Review of the arrangements in place to ensure that the Council is adequately discharging its statutory obligations in relation to the 2015 CDM Regulations.	Not Yet Commenced	Planning
Commercial Lets	Review of the arrangements in place surrounding the letting of commercial properties and the subsequent billing and collection of income.	Planning	Fieldwork
Health and Safety	Review of employee training records maintained to demonstrate compliance with statutory Health and Safety induction requirements.	13/02/25	13/02/25
Care in the Home	Contracts with, and payments to, care providers for clients' care in the home.	Not Yet Commenced	Fieldwork
Assessors	Review of the processes and procedures introduced, following implementation of the new Evalu8 system, to ensure compliance with relevant legislation. There may be a requirement to deliver this audit in two parts.	Not Yet Commenced	Not Yet Commenced

2024/25 INTERNAL AUDIT PLAN (cont'd)		Proposed Coverage	Status 13/02/25	Status 29/04/25
<b>Systems Reviews (cont'd)</b>				
Incident Management	Review of the arrangements in place to manage and monitor health and safety incidents within Education and Children's Services, including recording / reporting processes and procedures.		Not Yet Commenced	Not Yet Commenced
Induction	High-level review of the Council's revised induction process, developed to ensure staff have the necessary information / skills to perform their role effectively and in line with the Code of Conduct.		Not Yet Commenced	Not Yet Commenced
Attendance Management	Assessment of the completeness, reliability and timeliness of critical management information used by the Council as part of its decision-making processes. The specific focus of this review is to examine data integrity in respect of the sickness absence data being routinely reported as part of the organisation's performance framework.		Not Yet Commenced	Fieldwork
Impact Assessments	Review of the Council's Impact Assessment process and procedures, including staff guidance, in place for committee reports.		Not Yet Commenced	Not Yet Commenced
<b>Procurement / Contract Reviews</b>				
Goods Receipting	Review of the process in place to receipt, record and issue ICT equipment, including purchase order matching and inventory recording.		Fieldwork	Fieldwork
COMIS Replacement	Ongoing advice and guidance surrounding the COMIS replacement system, including attendance at the COMIS Replacement Board.		Ongoing	Ongoing
Purchase Ordering	Review of the requisition, approval and ordering arrangements in place within Oracle for non-contract spend below £5,000.		Planning	Planning
<b>Financial Reviews</b>				
Financial Monitoring	Review of the new methodology being rolled out to budget holders via Planning Budgeting Cloud Services (PBCS), enabling direct access to financial information (including developed pay forecasting) for monitoring and review purposes.		Not Yet Commenced	Not Yet Commenced
Rent Collection	Review of the processes and procedures in place to support the full and timeous collection of housing rent, including debt collection arrangements, payment options and tenant support services.		Planning	Fieldwork
UK Shared Prosperity Fund (UKSPF)	In line with the Cabinet Office Government Functional Standards and UKSPF guidance, continue to provide the third line of defence assurance function.		Fieldwork	Fieldwork

2024/25 INTERNAL AUDIT PLAN (cont'd)	Proposed Coverage	Status 13/02/25	Status 29/04/25
<b>Audits for External Organisations</b>			
FSLT – Membership Process	End-to-end review of the membership processes and procedures in place at FSLT, including reconciliation process, with a view to identifying areas for improvement / potential efficiencies.	Planning	Planning
Fife IJB	Should resource allow, delivery of one internal audit on behalf of the IJB.	Not Yet Commenced	Not Yet Commenced
<b>Contingency</b>			
Advice, Guidance and Additional Audit Assignments	Provision of ad-hoc support and / or delivery of additional audit assignments to assist services in respect of specific queries and contribute to improvements in the Council's framework of governance, risk management and control.	Ongoing	Ongoing
	<ul style="list-style-type: none"> <li>Council Tax Refunds (Additional Assignment)</li> </ul>	-	Reviewing
Follow-up Reviews	Specific reviews undertaken by internal audit staff to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented:		
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 86 - COBIT 5 Assessment Review Process</li> </ul>	Fieldwork	29/04/25
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 93 - Mutual Repairs</li> </ul>	13/02/25	13/02/25
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 20/22 - Homelessness</li> </ul>	Fieldwork	29/04/25
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 27/22 - Lone Working</li> </ul>	Not Yet Commenced	Fieldwork
	<ul style="list-style-type: none"> <li>Internal Audit Report No. 08/23 - Community Equipment Service</li> </ul>	Draft Report Issued	29/04/25
Post Audit Reviews (PARs)	Completion of the PAR exercise whereby formal assurances are obtained from management that internal audit recommendations have been implemented.	Not Yet Commenced	Ongoing
Self-assessment - Internal Audit Standards	To ensure conformance with the new Global Internal Audit Standards, Application Note and Code of Practice, conduct a self-assessment of the Council's Internal Audit Service against them and address any gaps identified.	Ongoing	Ongoing
Specific Investigations	To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.	Ongoing	Ongoing

29 April 2025

Agenda Item No. 9

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## Standards, Audit and Risk Committee Workplan

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**Report by:** Eileen Rowand, Executive Director, Finance and Corporate Services

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**Wards Affected:** All

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### Purpose

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This report supports the Committee's consideration of the workplan for future meetings of the Committee.

### Recommendation(s)

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It is recommended that the Committee review the workplan and that members come forward with suggestions for specific areas they would like to see covered in any of the reports.

### Resource Implications

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Committee should consider the resource implication for Council staff of any request for future reports.

### Legal & Risk Implications

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Committee should consider seeking inclusion of future items on the workplan by prioritising those which have the biggest impact and those which seek to deal with the highest level of risk.

### Impact Assessment

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None required for this paper.

### Consultation

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The purpose of the paper is to support the Committee's discussion and therefore no consultation is necessary.

## 1.0 Background

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- 1.1 Each Committee operates a workplan which contains items which falls under the headings: items for decision and Scrutiny/Monitoring. These items will often lead to reactive rather than proactive scrutiny. Discussion on the workplan agenda item will afford members the opportunity to shape, as a committee, the agenda with future items of business it wishes to review in more detail.

## 2.0 Conclusions

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- 2.1 The current workplan is included as Appendix one and should be reviewed by the committee to help inform scrutiny activity.

### List of Appendices

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1. Standards, Audit and Risk Committee forward work plan.

### Background Papers

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act, 1973:-

None

### Report Contact

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<b>Standards, Audit and Risk Committee of 30 June 2025</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 29 April 2025			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Post Audit Review Report	Finance and Corporate Services	Pamela Redpath	
2024/25 Internal Audit Annual Report	Finance and Corporate Services	Pamela Redpath	Including 2024/25 SLACIAG Annual Report
Fife Council Local Code of Corporate Governance	Finance and Corporate Services	Lindsay Thomson	
Annual Governance Statement for the year to 31 March 2025	Finance and Corporate Services	Elaine Muir	
Fife Council Draft Annual Accounts	Finance and Corporate Services	Elaine Muir	
Aberdeen City Council's S102 report for Elected Member information and update on corresponding control framework at Fife Council	Finance and Corporate Services	Pamela Redpath	
Fife Council Charitable Trusts - Unaudited Annual Report and Financial Statements 2023-24	Finance and Corporate Services	Elaine Muir	
Update on Global Internal Audit Standards/Application Note and Code of Practice for the Governance of Internal Audit in Local Government and Internal Audit Charter	Finance and Corporate Services	Pamela Redpath	
Standards, Audit and Risk Committee Work Plan	Finance and Corporate Services		
2025/26 Internal Audit Plan	Finance and Corporate Services	Pamela Redpath	

<b>Standards, Audit and Risk Committee of 21 August 2025</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 30 June 2025			
Complaints Update	Customer Services Improvement Service	David Thomson	
Information Requests Annual Report 2024-25	Customer Services Improvement Service	Laura McDonald	
Data Protection Officer Annual Report	Finance and Corporate Services	Fiona Smyth	
Regulation of Investigatory Powers Scotland (RIPSA) Act 2000	Finance and Corporate Services	Lindsay Thomson	
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
National Fraud Initiative (NFI) Scotland	Finance and Corporate Services	Pamela Redpath	
Risk Management Update	Finance and Corporate Services	Pamela Redpath, Clare Whyte	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

<b>Standards, Audit and Risk Committee of 30 September 2025 Accounts</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 21 August 2025			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Fife Council and Charitable Trusts - Annual Audit Report and Audited Accounts	Finance and Corporate Services	Elaine Muir	
Best Value Thematic Audit Review	Finance and Corporate Services	Elaine Muir/Karen Jones Azets	
Best Value Corporate Self-Assessment	Communities and Neighbourhoods Service	Coryn Carmichael	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

<b>Standards, Audit and Risk Committee of 27 November 2025</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 30 September 2025			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Corporate Fraud Team Activity and Performance, including Whistleblowing for 2024/25	Finance and Corporate Services	Pamela Redpath	
Fife Integration Joint Board Internal Audit Report	Finance and Corporate Services	Pamela Redpath	
Fife Integration Joint Board (IJB) Annual Internal Audit report	Finance and Corporate Services	Pamela Redpath	see minute 25.11.24
Fife Integration Joint Board 2025/26 Internal Audit Plan	Finance and Corporate Services	Pamela Redpath	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

<b>Standards, Audit and Risk Committee of 12 February 2026</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 27 November 2025			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Standards Update – annual reports, hearing outcomes and consultations	Finance and Corporate Services	Lindsay Thomson	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

<b>Standards, Audit and Risk Committee of 23 April 2026</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 12 February 2026			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
2026/27 Internal Audit Plan	Finance and Corporate Services	Pamela Redpath	



Standards, Audit and Risk Committee of 23 April 2026			
Title	Service(s)	Contact(s)	Comments
External Audit Annual Audit Plan 2025/26	Finance and Corporate Services	Pamela Redpath	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

Standards, Audit and Risk Committee of 30 June 2026 Accounts			
Title	Service(s)	Contact(s)	Comments
Minute - 23 April 2026			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
2025/26 Internal Audit Annual Report	Finance and Corporate Services	Pamela Redpath	
Fife Council Local Code of Corporate Governance	Finance and Corporate Services	Lindsay Thomson	
Annual Governance Statement for the year to 31 March 2026	Finance and Corporate Services	Elaine Muir	
Fife Council Draft Annual Accounts	Finance and Corporate Services	Elaine Muir	
Fife Council Charitable Trusts - Unaudited Annual Report and Financial Statements 2025-26	Finance and Corporate Services	Elaine Muir	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

Standards, Audit and Risk Committee of 27 August 2026			
Title	Service(s)	Contact(s)	Comments
Minute - 30 June 2026			
Complaints Update	Customer Services Improvement Service	David Thomson	

<b>Standards, Audit and Risk Committee of 27 August 2026</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Data Protection Officer Annual Report	Finance and Corporate Services	Fiona Smyth	
Information Requests Annual Report 2025-26	Customer Services Improvement Service	Laura McDonald	
Regulation of Investigatory Powers Scotland (RIPSA) Act 2000	Finance and Corporate Services	Lindsay Thomson	
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
National Fraud Initiative (NFI) Scotland	Finance and Corporate Services	Pamela Redpath	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

<b>Standards, Audit and Risk Committee of 30 September 2026 Accounts</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 30 June 2026			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Fife Council and Charitable Trust - Annual Audit Report and Audited Accounts	Finance and Corporate Services	Elaine Muir	
Best Value Corporate Self-Assessment	Communities and Neighbourhoods Service	Coryn Carmichael	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

<b>Standards, Audit and Risk Committee of 19 November 2026</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 30 September 2026			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	

<b>Standards, Audit and Risk Committee of 19 November 2026</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Corporate Fraud Team Activity and Performance, including Whistleblowing for 2025/26	Finance and Corporate Services	Pamela Redpath	
Fife Integration Joint Board Internal Audit Report	Finance and Corporate Services	Pamela Redpath	
Fife Integration Joint Board 2025/26 Annual Internal Audit Report	Finance and Corporate Services	Pamela Redpath	
Fife Integration Joint Board 2026/27 Internal Audit Plan	Finance and Corporate Services	Pamela Redpath	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		

<b>Standards, Audit and Risk Committee of 4 February 2027</b>			
<b>Title</b>	<b>Service(s)</b>	<b>Contact(s)</b>	<b>Comments</b>
Minute - 19 November 2026			
Issued Audit Reports	Finance and Corporate Services	Pamela Redpath	
Standards Update – annual reports, hearing outcomes and consultations	Finance and Corporate Services	Lindsay Thomson	
Standards, Audit and Risk Forward Work Programme	Finance and Corporate Services		