

## Standards, Audit and Risk Committee

Committee Room 2, 5<sup>th</sup> Floor, Fife House, North Street,  
Glenrothes / Blended Meeting



Thursday, 2nd March, 2023 - 10.00 a.m.

---

### 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 meeting of the Standards, Audit and Risk Committee of 28th November, 2022. 3 – 7
4. **AZETS - ANNUAL AUDIT PLAN FIFE COUNCIL** – Report by the Head of Finance. 8 – 65
5. **FINANCIAL BULLETIN 2021-22 - FIFE'S POSITION** – Report by the Head of Finance . 66 – 99
6. **2022/23 ISSUED AUDIT REPORTS** – Report by the Service Manager - Audit and Risk Management Services. 100 – 108
7. **INTERNAL AUDIT PLAN PROGRESS REPORT** – Report by the Service Manager - Audit and Risk Management Services. 109 – 121
8. **FIFE INTEGRATION JOINT BOARD (IJB) 2022/23 ANNUAL INTERNAL AUDIT PLAN** – Report by the Service Manager - Audit and Risk Management Services. 122- 135
9. **STANDARDS, AUDIT AND RISK COMMITTEE FORWARD WORK PROGRAMME** 136 – 138

**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

23 February, 2023

If/

If telephoning, please ask for:

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

Telephone: 03451 555555, ext. 442178; email: [Wendy.MacGregor@fife.gov.uk](mailto:Wendy.MacGregor@fife.gov.uk)

Agendas and papers for all Committee meetings can be accessed on [www.fife.gov.uk/committees](http://www.fife.gov.uk/committees)

## **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 mute microphones and switch cameras off when not speaking. This includes during any scheduled breaks or adjournments.

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

**28th November, 2022**

**10.00 a.m. – 12.50 p.m.**

**PRESENT:** Councillors Dave Dempsey (Convener), Tom Adams, Lesley Backhouse, John Beare, Gary Holt, Sarah Neal, Gordon Pryde and Ann Verner.

**ATTENDING:** Eileen Rowand, Executive Director (Finance and Corporate Services), Elaine Muir, Head of Finance, Laura Robertson, Finance Operations Manager, Anne Bence, Accountant, Paul Noble, Accountant; Pamela Redpath, Service Manager (Audit and Risk Management Services), Clare Whyte, Risk Management Team Leader, Audit and Risk Management Services, Lindsay Thomson, Head of Legal and Democratic Services, Lesley Robb, Lead Officer (Committee Services), Wendy MacGregor, Committee Officer and Fiona Smyth, Data Protection Officer, Legal and Democratic Services, Finance and Corporate Services; Pam Ewen, Head of Planning, Economy Planning and Employability Services; Sharon McKenzie, Head of Human Resources, Barbara Cooper, Service Manager, Human Resources Service; Charlie Anderson, Head of Business Technology Solutions; Paul Vaughan, Head of Communities and Neighbourhoods Service, Craig Waddell, Service Manager (Communities and Corporate Development Management Team); Shelagh McLean, Head of Education and Children's Services (Early Years and Directorate Support); Alan Paul, Head of Property Services; and Avril Sweeney, Manager (Compliance), Health and Social Care Localities.

**ALSO IN ATTENDANCE:** Brian Howarth, Audit Director, Patricia Fraser, Senior Audit Manager and Ross Hubert, Senior Auditor, Audit Scotland.

**APOLOGIES FOR ABSENCE:** Councillors Al Clark and Graeme Downie.

**20. DECLARATIONS OF INTEREST**

No declarations were submitted in terms of Standing Order No. 7.1.

**21. MINUTE**

The Committee agreed to approve the minute of the Standards, Audit and Risk Committee meeting on 31st October, 2022.

**22. FIFE COUNCIL AND CHARITABLE TRUSTS - ANNUAL AUDIT REPORT AND AUDITED ACCOUNTS 2022-23**

The Committee considered a report by the Executive Director of Finance and Corporate Services providing the Audited Accounts for Fife Council and Charitable Trusts for 2021-22 as well as the Annual Audit Report. A brief response to the External Auditor's report to Fife Council and the Controller of Audit was also included in the report.

Motion/

## 2022 SA 9

### Motion

Councillor John Beare, seconded by Councillor Sarah Neal, moved as follows:-

'Committee notes it is the remit of the Committee as expressed in para 8.5.3 of Committee Powers is "To review and recommend approval to the Council of the Annual Audited Accounts."

The Committee recommend approval of the Audited Accounts for signature, to the Council for consideration at its meeting of December 8th and note the report by Audit Scotland, the Council's external Auditors and the management responses.'

### Amendment

Councillor Gordon Pryde, seconded by Councillor Tom Adams, moved as an amendment:-

'that the Standards, Audit and Risk Committee have the authority to approve the Audited Accounts, as stated in the 2014 Regulations, advised by the Head of Legal and Democratic Services.'

### Roll Call

#### **For the Motion - 4 votes**

Councillors Lesley Backhouse, John Beare, Sarah Neal and Ann Verner.

#### **For the Amendment - 4 votes**

Councillors Tom Adams, Dave Dempsey, Gary Holt and Gordon Pryde.

There being an equality of votes, the Convener used his casting vote in favour of the Amendment. The Amendment was accordingly carried.

### Decision

The Committee:-

- (1) agreed to approve the Audited Accounts for signature;
- (2) noted the report by Audit Scotland, the Council's External Auditors and the management responses;
- (3) agreed the Convener and Depute Convener would seek assurance from officers throughout the forthcoming year, that the actions recommended by Audit Scotland in Appendix 1. Action Plan 2021/22 of the Annual Accounts had been implemented;
- (4) acknowledged the Convener and Head of Finance would continue to review national reports of interest to members for submission to the Committee as necessary; and
- (5)/

- (5) extended thanks and appreciation to the Finance Operations Team, members of staff across Fife Council and Audit Scotland involved in compiling the Audited Accounts and acknowledged the significant approach to partnership working from Audit Scotland, across the six year period as external auditors for Fife Council.

*The Committee adjourned at 11.35 a.m. and reconvened at 11.45 a.m.*

### **23. RISK MANAGEMENT UPDATE**

The Committee considered a report by the Service Manager, Audit and Risk Management Services updating members on the work undertaken to revise the Council's Risk Management Policy and Strategy document, including Risk Appetite and Risk Management Strategy Group (RMSG) Remit. The report also informed members on the level of risk within the Council's Strategic Risk Register as at 10th November, 2022 and on the content of the Risk Management Improvement Plan (RMIP) and progress made towards its implementation.

#### **Decision**

The Committee:-

- (1) approved the Council's revised Risk Management Policy and Strategy, including Risk Appetite and RMSG Remit, detailed in Appendix A to the report;
- (2) approved the Council's Strategic Risk Register following the most recent review, detailed in Appendix B to the report;
- (3) noted that the Strategic Risk Register would be continuously reviewed and updated appropriately;
- (4) noted the content of the RMIP and status of actions, detailed in Appendix C to the report; and
- (5) noted that update reports would be submitted to the Committee as required, on the Council's Risk Management arrangements, in line with the Policy and Strategy document.

### **24. DATA PROTECTION ANNUAL REPORT**

The Committee considered a report by the Head of Legal and Democratic Services highlighting key data protection statistics for Fife Council, major developments in relation to data protection law and practice and Fife Council data protection priorities, for the period 1st April, 2021 – 31st March, 2022.

#### **Decision**

The Committee noted:-

- (1) the work of the Data Protection Officer and the Data Protection Team to ensure continued compliance across the Council with the UK General Data

## 2022 SA 11

Protection Regulation (UK GDPR) and the Data Protection Act 2018, providing/

providing continued support to services across the Council to develop processes and embed systems which complied with the Council's data protection obligations; and

- (2) the performance information detailed in the report.

*Councillors Lesley Backhouse and Ann Verner left the meeting during consideration of the above item.*

### **25. REGULATION OF INVESTIGATORY POWERS (SCOTLAND) (RIPSA) ACT 2000**

The Committee considered a report by the Executive Director (Finance and Corporate Services) updating members on the exercise of regulatory powers and the outcome of the recent inspection, in compliance with the Regulation of Investigatory Powers (Scotland) (RIPSA) Act 2000.

#### **Decision**

The Committee noted:-

- (1) that there had been no applications for RIPSA authorisation since the date of the last report to the Committee in December 2021;
- (2) that Fife Council had received a positive inspection on its processes, procedures and previous use of investigatory powers from the Investigatory Powers Commissioner; and
- (3) the follow up work had been carried out since the inspection.

### **26. THE ACTING ETHICAL STANDARDS COMMISSIONER FOR SCOTLAND ANNUAL REPORT 2021/22, THE STANDARDS COMMISSION FOR SCOTLAND (THE COMMISSION) ANNUAL REPORT FOR 2021/22; AND DECISIONS TAKEN BY THE HEARING PANEL OF THE COMMISSION**

The Committee considered a report by the Head of Legal and Democratic Services advising members that the Acting Ethical Standards Commissioner for Scotland and the Standards Commission for Scotland had both published their annual reports for 2021/22; and to report on the findings of the Hearing Panel of the Standards Commission for Scotland during this period.

#### **Decision**

The Committee noted:-

- (1) the Acting Ethical Standards Commissioner for Scotland Annual Report for 2021/22;
- (2) the Standards Commission for Scotland Annual Report 2021/22;

## 2022 SA 12

- (3) the decisions of the Hearing Panel of the Standards Commission for Scotland, which would continue to be monitored and appropriate reports and/or advice given to the Council if required; and
- (4)/
- (4) that there had been no hearings relating to a Councillor of Fife Council in 2021/22.

### 27. **STANDARDS, AUDIT AND RISK COMMITTEE FORWARD WORK PROGRAMME**

The Committee considered the Standards, Audit and Risk Committee Forward Work Programme.

#### **Decision**

The Committee noted the Forward Work Programme which would be updated as appropriate.

2<sup>nd</sup> March, 2023

Agenda Item No.4

---

## Azets – Annual Audit Plan Fife Council

---

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

---

**Wards Affected:** All

---

### Purpose

---

The attached report provides members with details of Azets External Annual Audit Plan for Fife Council for the financial year 2022/23 and sets out the risks highlighted, planned work, audit scope and timing

### Recommendation(s)

---

The Committee is asked to:-

- (1) Note the content of the Azets External Annual Audit plan for 2022/23

### Resource Implications

---

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

### Legal & Risk Implications

---

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

### Impact Assessment

---

An IIA checklist is not required as this report does not recommend changes to Council policy and does not require a decision.

### Consultation

---

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

#### Report Author

Elaine Muir

Head of Finance

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





## Fife Council

### External Audit Annual Plan 2022/23

March 2023



# Table of Contents

|                                                                                                              |    |
|--------------------------------------------------------------------------------------------------------------|----|
| Introduction                                                                                                 | 3  |
| Audit scope and general approach                                                                             | 4  |
| Significant and other risks of material misstatement                                                         | 15 |
| Wider scope                                                                                                  | 22 |
| Fife Council Charitable Trusts                                                                               | 29 |
| Your Azets audit management team                                                                             | 35 |
| Audit timetable                                                                                              | 36 |
| Audit fee                                                                                                    | 39 |
| Audit independence and objectivity                                                                           | 41 |
| Appendix 1: Responsibilities of the Auditor and the Council                                                  | 42 |
| Appendix 2: Potential impact on the Council and our audit approach following revisions to auditing standards | 49 |
| Appendix 3: Materiality                                                                                      | 52 |
| Appendix 4: National risk areas under scope of audit in 2022/23                                              | 54 |
| Appendix 5: Best Value 2022/23 Thematic Review                                                               | 56 |

# Introduction

Azets have been appointed by Audit Scotland as the external auditor to Fife Council (“the Council”) for the period 2022/23 to 2026/27.

This document summarises the work plan for our 2022/23 external audit of Fife Council, including the charitable trusts administered by the Council.

The core elements of our work include:

- an audit of the 2022/23 annual accounts for the Council and its group and the charitable trusts;
- consideration of the wider scope areas of public audit work;
- consideration of the Council’s arrangements to secure Best Value;
- consideration of the Council’s arrangements for the collection and publication of statutory performance information in accordance with the Accounts Commission direction;
- an audit of grant claims and returns, including Whole of Government Accounts (as applicable);
- Any other work requested by Audit Scotland.

We expect that our audit will have a similar underlying approach to that of your previous external auditor, Audit Scotland, although there are some changes to the Code of Audit Practice and auditing standards that come into effect for the first time in 2022/23, which are reflected in this document.

## Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We will add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

## Openness and transparency

This report will be published on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# Audit scope and general approach

## Responsibilities of the auditor and the Council

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.

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

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 compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

[Appendix 1](#) provides further detail of both our responsibilities and those of the Council.

## Risk-based audit approach

We follow a risk-based approach to the audit that reflects our overall assessment of the relevant risks that apply to the Council. This ensures that our audit focuses on the areas of highest risk. Our audit planning is based on:

|                                                                       |                                                                                |                                                                     |
|-----------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Discussions with senior officers                                      | Our understanding of the sector, its key priorities and risks                  | Attendance & observing the Standards, Audit & Risk Committee        |
| Guidance from Audit Scotland                                          | Discussions with Audit Scotland and public sector auditors                     | Discussions with internal audit and review of its plans and reports |
| Review of the Council's corporate strategies and plans                | Review of the Council's corporate risk register                                | Consideration of the work of other inspection bodies                |
| Consideration of any relevant self-evaluation activity by the Council | Participation in the Local Area Network (LAN) / Shared Risk Assessment process | Outcomes of prior year audits                                       |

Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise.

### Communication with those charged with governance

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

### Professional standards and guidance

We perform our audit of the financial statements in accordance with International Standards on Auditing UK (ISAs (UK)), Ethical Standards, and applicable Practice Notes and other guidance issued by the Financial Reporting Council (FRC).

### 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 new 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 review the Council's arrangements for taking action on any issues reported in the national performance reports which may have a local impact. We also consider the extent to which the Council uses the national performance reports as a means to help improve performance at the local level.

During the year we may also be required to provide information to Audit Scotland to support the national performance audits.

### **Shared risk assessment and joint scrutiny planning**

The Shared Risk Assessment (SRA) process is a vehicle for scrutiny bodies to hare intelligence and agree scrutiny risks at councils. A local area network (LAN) has been established for each council in Scotland which comprises representatives from the main local government scrutiny bodies. The LAN is led by external audit and meet as and when is considered appropriate.

### **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 – post pandemic**

### **Hybrid audit approach**

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

All of our people have the equipment, technology and systems to allow them to work remotely or on-site, including secure access to all necessary data and information.

All of our staff are fully contactable by email, phone call and video-conferencing.

Meetings can be held over Skype, Microsoft Teams or by telephone.

We employ greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.

### 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.

## Approach to audit of the annual accounts

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

As part of our general approach, we will:

- perform risk assessment procedures including updating our understanding of the entity and its environment, the financial reporting framework and 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 or 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; and
- exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

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.

## Key audit developments in 2022/23

Revised auditing standards<sup>1</sup>, which come into effect from the current year, will have a significant impact on the way we perform our audit, particularly how we assess the risk of material misstatement, our approach to the audit of fraud, and the ways we ensure our audits are performed in line with regulatory requirements and to a high standard. The in-depth nature of these additional procedures, as well as updated tools and techniques that may come into scope, will also offer additional opportunity to provide insights and constructive feedback on the way the Council manages risks. [Appendix 2](#) provides further details on the implications of these new requirements.

## 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. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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 is set out in [Appendix 3](#).

---

<sup>1</sup> Revisions to ISA (UK) 315 on auditors' responsibility to identify and assess the risks of material misstatement in the financial statements and ISA (UK) 240 on material misstatements caused by fraud came into effect for audits of financial statements with periods commencing on or after 15 December 2021.



## Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. 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 is not for the purpose of expressing an opinion on the effectiveness of internal controls.

We will report to the Council, significant deficiencies in internal controls that we identify during the audit. These matters will be limited to those which we conclude are of sufficient importance to merit being reported. The scope of our work is not designed to be an extensive review of all internal controls.

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

Our intended audit approach is to consult internally with our Technology Risk team for them to support the audit team in assessing the information technology general controls (ITGC).

## Going concern

The concept of going concern applies in the public sector but in a different way to the private sector. In many public sector entities (but not all), the use of going concern basis of accounting is not a significant matter because the applicable financial reporting framework envisage 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 that the application of the going concern basis. Our wider scope audit work considers the financial sustainability of the Council.

## Group audit scope and risk assessment

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

The Group consists of the following entities:

| Component                      | Significant | Level of response required |
|--------------------------------|-------------|----------------------------|
| Fife Integration Joint Board   | No          | Analytical                 |
| Fife Coast & Countryside Trust | No          | Analytical                 |
| Fife Cultural Trust            | No          | Analytical                 |
| Fife Golf Trust                | No          | Analytical                 |
| Fife Sports & Leisure Trust    | No          | Analytical                 |
| Cireco (Scotland) LLP          | No          | Analytical                 |
| Fife Resource Solutions LLP    | No          | Analytical                 |
| Business Gateway Fife          | No          | Analytical                 |
| Fife Council Charitable Trusts | No          | Analytical                 |

**Analytical** - the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level.

### Risks at the component-level

At this stage of our audit cycle we have not identified any other risks in each component.

### 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 working together with a range of Scottish public bodies, external auditors and overseen by the Cabinet Office for the UK as a whole to identify fraud and error. The most recent NFI exercise commenced in 2022, with

matches to be received for investigation from January 2023. As part of our 2022/23 audit, we will monitor the Council's participation and progress in the NFI.

## 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.

## 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 1](#) provides detail of the wider scope areas of public sector audit work. Our initial risk assessment and scope of work planned for 2022/23 is outlined in the '[Wider Scope](#)' section of this plan.

## National risk assessment

Where particular areas of national or sectoral risk have been identified by the Accounts Commission and Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2022/23 the following areas have been identified:

- Climate Change
- Cyber Security

[Appendix 4](#) provides further detail as to the scope of this work.

## Best Value

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

Under the new 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 four aspects to our work:

- 1. Follow up and risk-based work:** our work will follow up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance 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. We will pay due regard to the seven [Best Value themes](#) in evaluating the wider-scope areas.
- 2. Service improvement and 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. We will assess annually how effectively the Council demonstrates this improvement. We will also report a summary of the information the Council reports publicly on its service performance. We will draw upon the information the council is required to report on by the Accounts Commission's Statutory Performance Information Direction.
- 3. Thematic reviews:** we are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2022/23 is on the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022. We will report our conclusions in a separate management report which will be presented to those charged with governance and published on Audit Scotland's website. The key questions we will ask are detailed at [Appendix 5](#).
- 4. 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 programme of Controller reports will commence in October 2023. Fife Council does not feature in the first year of the programme.

## 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

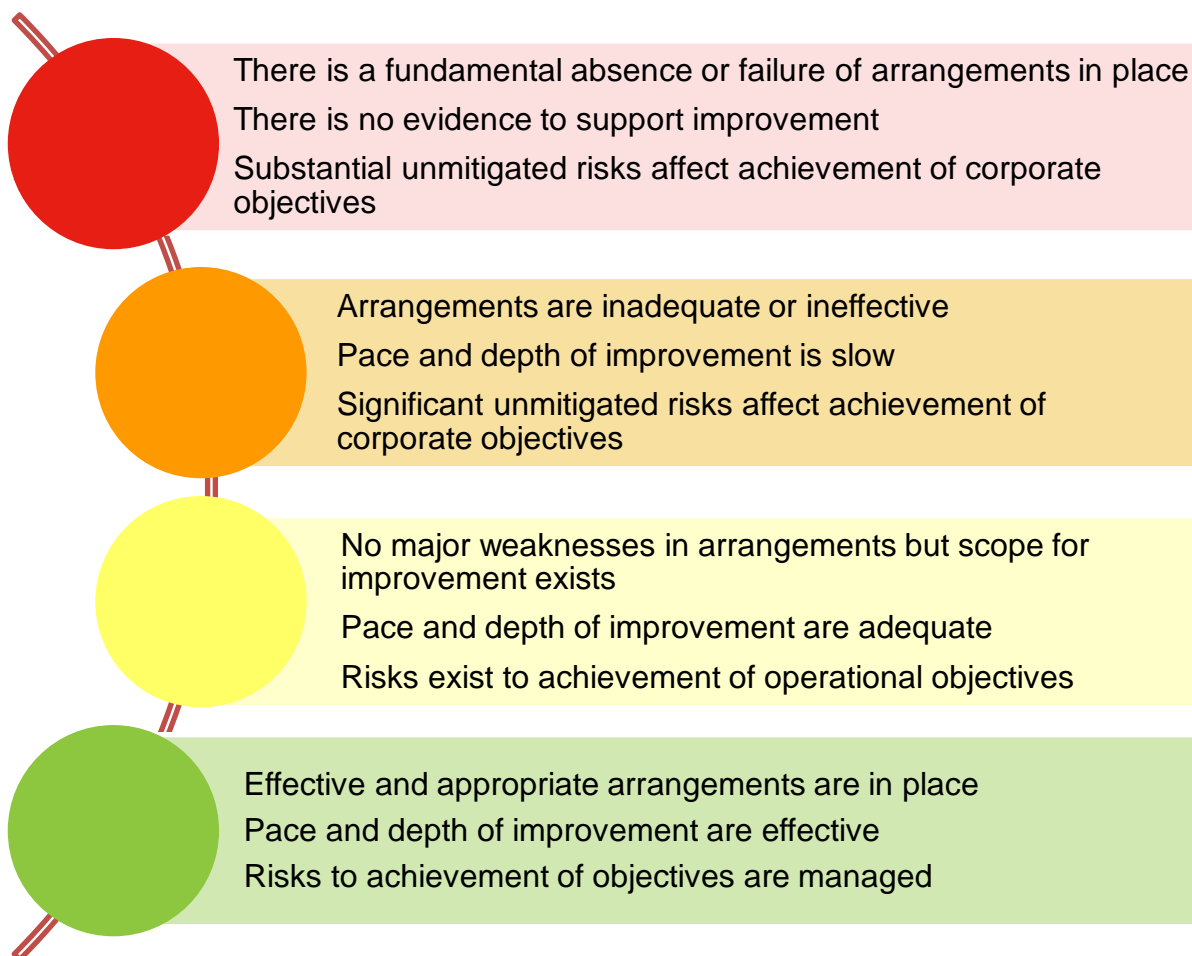
responsibilities, under their Best Value duty, to report performance to the public. The Accounts Commission issued a new Statutory Performance Information Direction in December 2021 (applies for the three years from 2022/23) which requires a council to report its:

- Performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on the Local Government Benchmarking Framework and / or other benchmarking activities)
- Own 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 are required to satisfy ourselves that the Council has made proper arrangements for preparing and publishing the statutory performance information in accordance with the Direction. As 2022/23 is the first year of the new 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.

## Reporting our findings

We will provide judgements on the pace and depth of improvement in reporting our findings on both Best Value and wider scope areas. We will use the following grading to provide an overall assessment of the arrangements in place as part of our Annual Audit Report.



# Significant and other risks of material misstatement

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 the 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.

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Management override of controls</b></p> <p>Management 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 of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p><b>Risk of material misstatement: Very High</b></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 annual accounts stage back to supporting documentation for appropriateness,</li> </ul> |

| Identified risk of material misstatement | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                          | <p>corroboration and to ensure approval has been undertaken in line with the Council’s 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

The table below summarises the significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Fraud in revenue recognition</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</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>In respect of council tax income, non-domestic rates, housing rents and non-ring fenced government grants, however, we do not consider the revenue recognition risk to be significant due to a lack of incentive and opportunity to manipulate these revenue streams. The risk of fraud in relation to revenue recognition is however present in all other revenue streams.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Revenue (occurrence / completeness): High</b></li> </ul> | <p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluation the significant income streams and review the controls in place over accounting for revenue.</li> <li>• Consideration of the Council's key areas of income and obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.</li> </ul> |

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Fraud in non-pay expenditure</b></p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Non-pay expenditure (occurrence / completeness): High</b></li> <li>• <b>Accruals (existence / completeness): High</b></li> </ul> | <p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating the significant non-pay expenditure streams and reviewing the controls in place over accounting for expenditure.</li> <li>• Consideration of the Council's key areas of expenditure and obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.</li> <li>• Review of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.</li> </ul> |

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Valuation of land and buildings (key accounting estimate)</b></p> <p>The Council carries out a rolling programme of revaluations to ensure all property, plant and equipment required to be measured at fair value is revalued at least every five years.</p> <p>Council dwellings are valued by the District Valuer using the beacon method which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A full revaluation exercise is completed every five years, with the exercise to be undertaken in 2022/23. In interim years the values of beacon properties are updated to reflect key factors including changes in rental prices.</p> <p>Other land and buildings are held at fair value and revalued as part of the five-year rolling programme. In addition, indices are applied to all assets held at Depreciated Replacement Cost (DRC) to reflect market changes within the year.</p> <p>Investment properties are valued annually at fair value, in line with the Code.</p> <p>There is a significant degree of subjectivity in the measurement and valuation of property, plant and equipment. This subjectivity and the material nature of the Council's asset base represents an increased risk of misstatement in the annual accounts.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Land &amp; Buildings (valuation): Very High</b></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 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>• Testing the information used by the valuer to ensure it is complete and consistent with our understanding. If there have been any specific changes to the assets in the year, we will ensure these have been communicated to the valuer.</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> |

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Pension asset / liability (key accounting estimate)</b></p> <p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities.</p> <p>A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation, and mortality rates) can have a material impact on the pension asset/liability.</p> <p>There is a risk that the assumptions used are not appropriate.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Pensions (valuation): High</b></p> | <p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Review of the controls in place to ensure that the data provided from the pension fund to the actuary is complete and accurate.</li> <li>• Reviewing the reasonableness of the assumptions used in the calculation against other local government pension fund actuaries and other observable data.</li> <li>• Agreeing the disclosures in the financial statements to information provided by the actuary.</li> <li>• Considering the competence, capability and objectiveness of the management expert in line with ISA (UK) 500 Audit Evidence.</li> </ul> |

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Financial instruments: fair value measurement (key accounting estimate)</b></p> <p>The Council maintains significant debt and investment portfolios. The Council measures its financial instruments at fair value or amortised cost or, where no reliable measurement exists, measured at cost.</p> <p>Fair values are categorised by their level in the fair value hierarchy:</p> <ul style="list-style-type: none"> <li>• Level 1 – fair value is derived from quoted prices in active markets for identical assets or liabilities</li> <li>• Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability</li> <li>• Level 3 – fair value is determined using unobservable inputs</li> </ul> <p>For level 1 and level 2; the Council's valuations are supported by independent expert advice. For level 3, there is the potential for management to use their judgement to influence the financial statements.</p> <p><b>Inherent risk of material misstatement:</b></p> <p><b>Investments and borrowings (valuation): High</b></p> | <p>Procedures performed to mitigate risks of material misstatement in this area will include:</p> <ul style="list-style-type: none"> <li>• Evaluating and reviewing the controls in place over accounting for financial instruments.</li> <li>• Considering the Council's material financial instruments and obtaining evidence that these have been appropriately valued at 31 March 2023 including challenging fair value classification.</li> <li>• Review of management experts and external investment managers.</li> <li>• Review of the disclosures within the annual accounts to ensure they are consistent with supporting information.</li> </ul> |

# Wider scope

## Introduction

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

We have identified one significant risk in relation to financial sustainability as set out in the table below. At this stage, we have not identified any significant risks in relation to the other wider scope areas.

Audit planning 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. This section summarises our audit work in respect of each wider scope area.

## Wider scope significant risk

### Financial sustainability

The Council's financial planning is underpinned by its Medium Term Financial Strategy (MTFS). The latest MTFS, reported in February 2023, is projecting provisional cumulative budget gaps of £11.505million, £33.198million, and £55.598million for 2023/24, 2024/25, and 2025/26 respectively.

The Council reviewed its budget planning assumptions in February 2023 to reflect the publication of the Local Government Finance Settlement and the financial challenges impacting on the external environment which the Council operates in. The revised budget gap assumptions applied increased pay, pension and general inflation cost pressures. The emerging and uncertain impact of cost pressures on the Council's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk.

The MTFS contains a commitment from the Council to develop a corporate change programme to support Directorates in redesigning its services with the aim to drive out savings and efficiencies in the short term. The Council has a significant reserves balance (£27.492million uncommitted balance at January 2023) but has acknowledged that these cannot be utilised as a sustainable solution to close the medium term budget gap. The Council recognises that bridging gaps of this magnitude will require major changes to services and how they are delivered and have committed to a focus on service redesign to address the financial challenge from 2024/25 onwards.

The Local Government Finance circular 10/2022 confirmed that local authorities can utilise financial flexibility whereby the capital repayment element of service concessions can be accounted for over the expected useful life of the asset instead of the contract period. The Council has recognised that through utilising this flexibility, this would produce a benefit by increasing General Fund balances by £39.700million with annual savings that vary between £1.800million and £5.000million for ten years to 2032/33. The Council's utilisation of the service concession financial flexibilities has been incorporated into the MTFS reported in February 2023.

### 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.

## Our audit approach to the wider scope audit areas



### Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

#### Consideration

The Council's General Fund Revenue budget for 2023/24 is due to be approved in February 2023. The budget presents a gap of £11.505million for 2023/24 which excludes inflationary increases in Council Tax income. The Council is due to set the level of Council Tax which will contribute to closing the 2023/24 budget gap. The Council is confident that a combination of the agreed level of Council Tax and the utilisation of a minimal amount of Council balances will allow a balanced budget to be set for 2023/24.

The Council has recognised that the HRA budget is also under considerable financial pressure and faces a high level of financial risk. The estimated 2023/24 funding gap on the HRA budget is £6.627million where this gap is expected to be reduced through increased rental income and savings. The Council has acknowledged that increasing rent during the current cost of living crisis presents a challenge due to the risk of unaffordability to tenants. Rent increase consultation options of 0%, 1%, 2% and 3% have been presented to tenants and the results from the consultations will be presented to the Council in February 2023 alongside the HRA budget proposals for 2023/24.

#### Our audit approach

During our 2022/2023 audit we will develop our assessment of the Council's financial standing. We will review and conclude on:

- The Council's arrangements in place for developing short, medium and long term financially sustainable plans that continue to support the delivery of the Council's statutory functions and strategic objectives; and
- The appropriateness and effectiveness of arrangements in place to address any identified funding gaps.



### Consideration

The Council's Capital Plan is reviewed on a bi-annual basis. The initial planning work and affordability testing has been completed for the most recent review however, the work to date has indicated that the plan would be unaffordable and unsustainable over the long term due to pressures including the level of inflationary pressure affecting already approved projects. The revised Capital Plan is being revisited and is expected to be presented to the Council for approval in May 2023.

### Our audit approach



## Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### Consideration

The Council reported a surplus outturn position in 2021/22. As at January 2023, the Council forecasts a general fund revenue surplus position of £5.845million and a breakeven position for HRA in 2022/23. In addition, 92% of budget savings are on track to be delivered.

Achievement of a balanced financial position is subject to on-going management of pressures and uncertainties of which the Council has identified as the most significant:

- The impact of the COVID-19 pandemic on the Council (net costs estimated to be in the region of £22million for 2022/23);
- The impact of increasing inflationary pressures on the Council; and
- Ongoing teachers and chief officers 2022/23 pay award negotiations.

The forecast uncommitted general revenue reserves balance as at January 2023 was £27.492million. The Council has recognised that these balances can assist with the financial sustainability in the immediate term, however, leaves financial challenges ahead for the medium and longer term.

### Our audit approach

During our 2022/23 audit we will review, conclude and report on the following:

- The achievement of financial targets;
- Whether the Council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely performance;
- Whether the Council has arrangements in place to ensure systems of internal control are operating effectively; and
- Whether the Council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.



### Vision, Leadership and Governance

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

#### Consideration

Following the Local Government elections in May 2022, the councillors voted for a new system of governance based on a Cabinet structure. The Cabinet Committee is responsible for strategic policy decisions and membership of the Cabinet consists of the Leader of the Council (Chair), six strategic spokespersons and ordinary members up to a total of 21 members.

During 2022/23, the Council and Committee meetings adopted a blended approach and meetings continue to be live streamed and available to the public in the archive. The Council has been able to maintain all aspects of board governance, including its regular schedule of Council and Committee meeting, to allow for effective scrutiny, challenge and informed decision making.

The Chief Executive is due to retire in June 2023. A recruitment timetable is in place to ensure effective leadership is upheld and disruption to the running of the Council is kept to a minimum during 2022/23.

The Council and Partnership Board approved a revised Plan for Fife in September 2021. Work is ongoing at the Council level to develop a future change programme which aligns to the Plan for Fife. A report on the content of the change programme is expected to be presented to the Cabinet Committee in June 2023.

#### Our audit approach

As part of our 2022/23 audit we will review, conclude and report on:

- The newly appointed Chief Executive will be responsible for signing aspects of the 2022/23 annual accounts. We will during our audit, consider what handover arrangements are in place to ensure the new Chief Executive has the appropriate assurances to allow them to sign the 2022/23 annual accounts;
- Whether the Council can demonstrate that the governance arrangements in place are appropriate and operating effectively;
- The transparency of decision-making, financial reporting and performance data; and
- Reasonableness and consistency of the governance statement in relation to other information gathered during our audit.



### 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.

#### Consideration

The Council is reviewing its performance framework to ensure that the presentation of performance information on the Council's website fully complies with the Accounts Commission Direction. Work is also ongoing to develop the Council wide approach to performance reporting including a revision of the structure and format of performance reports and review of the relevance of performance indicators.

New guidance and a template have been produced for the annual Service Performance reports. This was introduced for the 2021/22 reports, which was presented to Scrutiny Committees from November 2022. Performance indicators used in the reports include Local Government Benchmarking Framework and Plan for Fife measures.

#### Our audit approach

During 2022/23 we will review, conclude and report on;

- Whether performance reporting in 2022/23 is timely, reliable, balanced, transparent and appropriate to user needs.
- The Council's compliance with the Accounts Commission's direction on public performance reporting.
- Whether the Council has identified improvement priorities, and how self-aware the Council is in understanding its relative performance and improvement needs.

# 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.

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                     | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Management override of controls</b></p> <p>Management 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 of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable</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> </ul> |

| Identified risk of material misstatement                                                                                                                                              | Audit approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p><b>Risk of material misstatement: Very High</b></p> | <ul style="list-style-type: none"> <li>• Testing 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 to ensure approval has been undertaken in line with the Trusts' journals policy.</li> <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

The table below summarises significant risk of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

| Identified risk of material misstatement                                                                                                                                                                                                                            | Audit approach                                                                                                                                                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Fraud in revenue recognition</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</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> |

| Identified risk of material misstatement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Audit approach |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <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>We note that income recognised in the Trusts' accounts is investment income and support service income (with corresponding expenditure). Investments are managed by Janus Henderson Investors.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Revenue (occurrence / completeness): High</b></li> </ul> |                |

## 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 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.

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 table below sets out our initial assessment of materiality, performance materiality and trivial thresholds for the 43 charitable trusts:

|                          | <b>Overall materiality</b> | <b>Performance materiality</b> | <b>Trivial threshold</b> |
|--------------------------|----------------------------|--------------------------------|--------------------------|
|                          | <b>(£)</b>                 | <b>(£)</b>                     | <b>(£)</b>               |
| <b>Settlement Trusts</b> |                            |                                |                          |
| Ladybank                 | £184                       | £138                           | £9                       |
| Kingskettle              | £46                        | £35                            | £2                       |
| Kilconquhar              | £135                       | £101                           | £7                       |
| Freuchie And Area        | £142                       | £107                           | £7                       |
| Falkland                 | £68                        | £51                            | £3                       |
| Crail                    | £2,136                     | £1,602                         | £107                     |
| Cupar                    | £1,357                     | £1,018                         | £68                      |
| Auchtermuchty            | £273                       | £205                           | £14                      |



|                         | <b>Overall materiality</b> | <b>Performance materiality</b> | <b>Trivial threshold</b> |
|-------------------------|----------------------------|--------------------------------|--------------------------|
|                         | <b>(£)</b>                 | <b>(£)</b>                     | <b>(£)</b>               |
| St Monans               | £1,104                     | £828                           | £55                      |
| Elie                    | £343                       | £257                           | £17                      |
| Newburgh                | £1,724                     | £1,293                         | £86                      |
| Anstruther & Cellardyke | £3,926                     | £2,945                         | £196                     |
| St Andrews              | £2,752                     | £2,064                         | £138                     |
| Dunfermline             | £1,787                     | £1,340                         | £89                      |
| Leslie                  | £50                        | £37                            | £2                       |
| Collessie               | £52                        | £39                            | £3                       |
| Tayport                 | £253                       | £190                           | £13                      |
| Pittenweem              | £437                       | £328                           | £22                      |
| Leven                   | £216                       | £162                           | £11                      |
| Kennoway                | £26                        | £19                            | £1                       |
| Buckhaven and Methil    | £16                        | £12                            | £1                       |
| Burntisland             | £488                       | £366                           | £24                      |
| Kirkcaldy               | £4,324                     | £3,243                         | £216                     |
| Kinghorn                | £596                       | £447                           | £30                      |
| Auchtertool             | £38                        | £29                            | £2                       |
| Culross                 | £92                        | £69                            | £5                       |
| Limekilns               | £99                        | £74                            | £5                       |
| Kincardine              | £626                       | £469                           | £31                      |
| Lochgelly               | £420                       | £315                           | £21                      |
| Ballingry               | £233                       | £175                           | £12                      |

|                                      | Overall materiality (£) | Performance materiality (£) | Trivial threshold (£) |
|--------------------------------------|-------------------------|-----------------------------|-----------------------|
| <b>Other Trusts</b>                  |                         |                             |                       |
| Waugh & Wharrie Bequest              | £52                     | £39                         | £3                    |
| Adam Smith / Gow / Beveridge Bequest | £210                    | £158                        | £11                   |
| A. A. Wilkie Trust - Children        | £2                      | £2                          | £0                    |
| Fl. Lawsons Executry                 | £18                     | £14                         | £1                    |
| Raemore Mort. K/L                    | £61                     | £46                         | £3                    |
| Frances Lawson's Bequest             | £26                     | £19                         | £1                    |
| Ogilvy Dalgleish Mortification       | £44                     | £33                         | £2                    |
| Macintosh Bequest                    | £19                     | £14                         | £1                    |
| B.F. Nisbet's Trust & Garden         | £145                    | £109                        | £7                    |
| Thomas S. Greig's Bequest            | £479                    | £360                        | £24                   |
| Thomson Bequest and Laing Library    | £489                    | £367                        | £24                   |
| Bell Fund / Good Templars Fund       | £5,875                  | £4,406                      | £294                  |
| Thomas Ireland's Trust               | £81                     | £61                         | £4                    |

Overall materiality: our assessment is based on approximately 2% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of each charitable trust.

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.

# Your Azets audit management team

---

## Nick Bennett: Engagement Lead

[nick.bennett@azets.co.uk](mailto:nick.bennett@azets.co.uk)

Nick has over 30 years' experience of public sector auditing and has been heavily involved in developing public sector accounting standards. Nick's experience and expertise is acknowledged both by clients and by other professionals involved right across the public sector. Nick is the appointed Engagement Lead to Fife Council.



## Karen Jones: Engagement Manager

[karen.jones@azets.co.uk](mailto:karen.jones@azets.co.uk)

Karen is one of the directors responsible for our Audit Scotland appointments. She has considerable experience in planning and delivering public sector audits, producing management reports and liaising with senior management and audit committees.

Karen will work alongside Nick to deliver the external audit to Fife Council.



## Audit timetable

The submission date for audited annual accounts in local government is generally set to be consistent with the date specified in the accounts regulations by which the Council is required to approve its audited accounts. The Coronavirus (Scotland) Act 2000 permitted a deferral in 2019/20 and 2020/21 to 30 November, and a temporary amendment to the accounts regulations allowed a submission date of 30 November for 2021/22. However, the submission date is returning to pre-pandemic 30 September for 2022/23.

We have set out below target months which align to the schedule of Council meetings. We aim to meet these scheduled meetings however this will be monitored during the audit process and may require to be revised to reflect emerging issues.

| Audit work/output | Description                                                                                                                                                                                                   | Target month/s     | Standards, Audit & Risk Committee | Deadline      |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------------|---------------|
| Audit strategy    | Onboarding and initial engagement, introductory meetings and presentation of audit strategy.                                                                                                                  | January / February | 2 March 2023                      | N/A           |
| Audit plan        | <p>Planning meetings, understanding the entity, risk assessment.</p> <p>Audit plan setting out the scope of our audit, including key audit risks, presented to the Standards, Audit &amp; Risk Committee.</p> | February / March   | 2 March 2023                      | 31 March 2023 |

| <b>Audit work/output</b>                                 | <b>Description</b>                                                                                                                                                                                                                                                                                       | <b>Target month/s</b> | <b>Standards, Audit &amp; Risk Committee</b> | <b>Deadline</b>   |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------------------|-------------------|
| Interim audit                                            | Interim audit including review of accounting systems.                                                                                                                                                                                                                                                    | March - June          | N/A                                          | N/A               |
| Final audit                                              | Accounts presented for audit and final audit visit begins                                                                                                                                                                                                                                                | July - September      | N/A                                          | N/A               |
| Independent Auditor's Report                             | This report will contain our opinion on the financial statements, the audited part of the remuneration report, annual governance statement and management commentary.                                                                                                                                    | September             | 28 September 2023                            | 30 September 2023 |
| Annual Report to the Council and the Controller of Audit | At the conclusion of each year's audit we issue an annual report setting out the nature and extent of our audit work for the year and summarise our opinions, conclusions and the significant issues arising from our work. This report pulls together all of our work under the Code of Audit Practice. | September             | 28 September 2023                            | 30 September 2023 |

| Audit work/<br>output                                                                                                                                                                                            | Description                                                                                                                                       | Target<br>month/s | Standards,<br>Audit &<br>Risk<br>Committee | Deadline                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------------|-------------------------|
| Report to those charged with governance relating to the charitable trusts                                                                                                                                        | We will issue an ISA 260 report addressed to the trustees summarising our opinions, conclusions and the significant issues arising from our work. | September         | 28<br>September<br>2023                    | 30<br>September<br>2023 |
| Grant claims and returns: <ul style="list-style-type: none"> <li>• Non domestic rate income return (NDRI)</li> <li>• Whole of Government Accounts (WGA)</li> <li>• Housing benefit subsidy claim (HB)</li> </ul> | We provide assurance, by way of an audit certificate on the grant claims / returns listed.                                                        | TBC               | N/A                                        | TBC                     |

Prior to submitting our outputs, we will discuss all issues with management to confirm factual accuracy and agree a draft action plan where appropriate.

The action plans within the reports will include prioritised recommendations, responsible officers and implementation dates. We will review progress against the action plans on a regular basis.

## Audit fee

For 2022/23, the new appointment process provided Audit Scotland with a fair representation of the current audit market for each individual body with the outcome of this exercise highlighting the increasing requirements, expectations and scrutiny of the audit profession.

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit. These factors have led to above inflationary increases in the cost of audit. Whilst these increases are significant these are consistent with evidence obtained from the profession and other UK audit agencies. On setting fees, Audit Scotland has ensured that efficiencies have been fully utilised to mitigate the impact.

For the local government sector, the average fee increase is 12.5%.

Audit Scotland sets an expected audit fee that assumes the body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. The expected fee is reviewed by Audit Scotland each year and adjusted if necessary based on auditors' experience, new requirements, or significant changes to the audited body.

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

For 2022/23, we propose setting the audit fee above the expected fee level. We propose setting the 2022/23 audit fee above the expected fee to reflect the following areas of work:

| Area                                                                                                                                                                                                                                          | Fee     |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|
| Additional costs associated with this being the first year of our audit appointment and developing our understanding of the Council, increased focus on understanding the Council's IT general controls, and delivering a hybrid style audit. | £25,000 |
| Dealing with accounting queries which arise during the financial year; including consultation and development of an approach to asset valuations (identified as a significant risk area).                                                     | £10,000 |

|                            | 2022/23                     | 2021/22         |
|----------------------------|-----------------------------|-----------------|
| Auditor remuneration       | £387,180                    | £313,380        |
| Pooled costs               | -                           | £32,400         |
| Contribution to PABV costs | £123,150                    | £185,250        |
| Audit support costs        | £13,540                     | £16,590         |
| Sectoral cap adjustment    | £119,620                    | -               |
| <b>Total fee</b>           | <b>£648,490<sup>2</sup></b> | <b>£547,620</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 on-site 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 exercises 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 £12,000.

<sup>2</sup> The expected fee level notified to the Council for 2022/23 is £613,490 which is £65,870 higher than the fee agreed in the previous year and includes the sectoral increase of 12.5%. We have increased the auditor remuneration element of the audit fee by £35,000 for the reasons noted in this section.



# Audit independence and objectivity

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

In particular, FRC's Ethical Standard stipulates that where an auditor undertakes non-audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. Azets has not been appointed by the Council to provide any non-audit services during the year.

We confirm that we comply with FRC's Ethical Standard. In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the Council, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

# Appendix 1: 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 Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The [2021 Code](#) came into effect from 2022/23.

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 accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

## Financial management



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

### Auditor considerations

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

## Financial sustainability



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

### Auditor considerations

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

---

## Vision, leadership and governance



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

### Auditor considerations

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

---

## Use of resources to improve outcomes



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

### Auditor considerations

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

---

## Best Value

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

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

## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that

apply to all audit work and providers. The audit quality 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 <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

## Council responsibilities

The Council has primary responsibility for ensuring the proper financial stewardship of 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 its 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 that support its financial statements and related reports disclosures;</li> <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. Management commentaries should be fair, balanced and understandable.</li> </ul> <p>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> <p>The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational</p> |

| Area                                                                               | Council responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                    | <p>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>                                                                                                                                                                                                                                                                                                                                                      |
| <p><b>Standards of conduct for prevention and detection of fraud and error</b></p> | <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>                                                                                                                                                                                                                                                                                                                                                                        |
| <p><b>Financial position</b></p>                                                   | <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> |
| <p><b>Best value</b></p>                                                           | <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 local government body 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 body of that performance</li> </ul>                                                                                                                                                                                                      |

**Area****Council responsibilities**

- The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the Council shall have regard to:

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

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

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

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

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

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

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



# Appendix 2: Potential impact on the Council and our audit approach following revisions to auditing standards

Revised auditing standards which come into effect from the current year, will have a significant impact on the way we perform our audit, particularly how we assess the risk of material misstatement, our approach to the audit of fraud, and the ways we ensure our audits are performed in line with regulatory requirements and to a high standard. The table below provides further detail on the implications of these new requirements.

| Key change                                                                                                       | Potential impact on the Council & our approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Enhanced risk identification and assessment, promoting more focused auditor responses to identified risks</b> | <p>Management and those charged with governance may receive more up-front questions as we plan the audit and identify and assess risks of material misstatement.</p> <p>We may conduct planning and risk assessment procedures at a different time to ensure that our understanding is comprehensive, and that information is leveraged effectively and efficiently.</p> <p>To facilitate a more robust risk-assessment, we may request additional information to enhance our understanding of systems, processes and controls. For example, we may request:</p> <ul style="list-style-type: none"> <li>• a better understanding of the Council's structure and operations and how it integrates information technology (IT)</li> <li>• more information about the Council's processes for assessing risk and monitoring its system of internal control</li> <li>• more detailed narratives about how transactions are initiated, recorded, processed and reported</li> </ul> |

| Key change                                                         | Potential impact on the Council & our approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                    | <ul style="list-style-type: none"> <li>• policies and procedure manuals, flowcharts and other supporting documentation to validate our understanding of the information systems relevant to the preparation of the financial statements</li> <li>• more information to support our inherent risk assessment.</li> </ul> <p>This information not only informs our risk assessment but also assists us in determining an appropriate response to risks identified, including any new significant risks which require a different response.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>Understanding and acting on risks associated with IT</b></p> | <p>We will be asking tailored questions and making information requests to understand the IT environment, including:</p> <ul style="list-style-type: none"> <li>• IT applications</li> <li>• supporting IT infrastructure</li> <li>• IT processes</li> <li>• personnel involved in the IT processes.</li> </ul> <p>Combined with the controls that may be needed to address the identified and assessed risks of material misstatement, this understanding may also identify existing and new risks arising from the use of IT. Therefore, we will be asking more focused questions and requesting additional information to understand the general IT controls that address such risks. For example, we may have questions in relation to general IT controls over journal entries (e.g., segregation of duties related to preparing and posting entries) to address risks arising from the use of IT.</p> <p>Depending on our assessment of the complexity of systems and associated risks, we may also involve additional team members, such as IT specialists.</p> |
| <p><b>Enhanced procedures in connection with fraud</b></p>         | <p>We will be asking targeted questions as part of an enhanced approach to fraud, including discussing with the Council:</p> <ul style="list-style-type: none"> <li>• any allegations of fraud raised by employees or related parties</li> <li>• the risks of material fraud, including those specific to the local government sector.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| Key change                                                                   | Potential impact on the Council & our approach                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                              | <p>Combined with other information, and any inconsistencies in responses from those charged with governance and management, we determine implications for further audit procedures. Work in connection with fraud may also now include the use of audit data analytics, or the inclusion of specialists in our engagement team to ensure we obtain sufficient appropriate audit evidence to conclude whether the financial statements are materially misstated as a result of fraud.</p> <p>In addition to existing communication and reporting requirements relating to irregularities and fraud, there may be further matters we report in connection with management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.</p> <p>These enhanced requirements may assist in the prevention and detection of material fraud, though do not provide absolute assurance that all fraud is detected or alter the fact that the primary responsibility for preventing and detecting fraud rests with the Council and management.</p> |
| <p><b>Enhanced requirements for exercising professional scepticism</b></p>   | <p>Challenge, scepticism and the application of appropriate professional judgement are key components of our audit approach. You may receive additional inquiries if information is found that contradicts what our team has already learned in the audit or in instances where records or documents seen in the course of the audit appear to have been tampered with, or to not be authentic.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <p><b>Using the right resources, in the right way, at the right time</b></p> | <p>One of our new strategic quality objectives sets out that we will strive to use the right resource, in the right way, at the right time. This may mean increasing the use of specialists (for example in relation to general IT controls) or changing the shape of the audit engagement team to ensure that we are able to provide appropriate challenge and feedback in specialist areas.</p> <p>This will include appropriate use of technology, including data analytics.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

## Appendix 3: Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.

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

|                                                         | <b>Group</b>    | <b>Council</b>  |
|---------------------------------------------------------|-----------------|-----------------|
|                                                         | <b>£million</b> | <b>£million</b> |
| <b>Overall materiality for the financial statements</b> | 15.8            | 15.8            |
| <b>Performance materiality</b>                          | 11.85           | 11.85           |
| <b>Trivial threshold</b>                                | 0.250           | 0.250           |

|                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Materiality</b>             | <p>Our assessment is made with reference to the Council's gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance.</p> <p>Our assessment of materiality equates to approximately 1% of the Council's gross expenditure as disclosed in the 2021/22 audited annual accounts.</p> <p>In performing our audit, we apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.</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</p>                                                                                                                                          |

|                              |                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                              | <p>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>                                                                                                                                                                                         |

# Appendix 4: National risk areas under scope of audit in 2022/23

## Climate change

Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045, and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

There are specific legal responsibilities placed on public bodies to contribute to reducing greenhouse gas emissions, to adapt to climate change, to act sustainably and to report on progress. A number of public bodies have declared a climate emergency and set their own net zero targets, some of which are earlier than Scotland's national targets. All public bodies will need to reduce their direct and indirect emissions, and should have plans to do so. Many bodies will also have a role in reducing emissions in wider society, and in supporting activity to adapt to the current and potential future impact of climate change. For example, working with the private sector and communities to help drive forward the required changes in almost all aspects of public and private life, from transport and housing to business support.

Public audit has an important and clear role to play in:

- helping drive change and improvement in this uncertain and evolving area of work
- supporting public accountability and scrutinising performance
- helping identify and share good practice.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

For 2022/23 audits, auditors are required to provide answers to the questions set out in the following table which are intended to gather basic information on the arrangements for responding to climate change in each body:

### Key questions

What targets has the body set for reducing emissions in its own organisation or in its local area?

Does the body have a climate change strategy or action plan which sets out how the body intends to achieve its targets?

How does the body monitor and report progress towards meeting its emission targets internally and publicly?

Has the body considered the impact of climate change on its financial statements?

What are the areas of the financial statements where climate change has, or is expected to have, a material impact?

Does the body include climate change in its narrative reporting which accompanies the financial statements and is it consistent with those financial statements?

## Cyber security

There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place.

A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation.

For 2022/23 audits, auditors are advised to consider risks related to cyber security at audited bodies. However, the revised ISA (UK) 315 includes enhanced requirements for auditors to understand a body's use of IT in its business, the related risks and the system of internal control addressing such risks. The Auditor General and Accounts Commission consider that meeting these additional requirements is likely to be sufficient consideration of cyber security in 2022/23.

# Appendix 5: Best Value 2022/23 Thematic Review

The Best Value thematic work for 2022/23 requires auditors to carry out an overview of the effectiveness of council leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022. In carrying out the overview, we will look to answer the following questions:

## Key questions

How clear is the new council vision and its priorities?

How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?

How effectively do the council priorities reflect the need to reduce inequalities and climate change??

How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities

Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them



© Azets 2023. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

**Accounting | Tax | Audit | Advisory | Technology**

2<sup>nd</sup> March, 2023

Agenda Item No. 5

---

## Finance Bulletin 2021-22 – Fife’s Position

---

Report by: Elaine Muir, Head of Finance

---

Wards Affected: all

---

### Purpose

---

The purpose of this report is to provide an update on Fife’s Position in respect of the Local Government in Scotland Financial Bulletin 2021-22 published by the Accounts Commission in January 2023.

### Recommendation(s)

---

It is recommended that Committee note the progress Fife Council has made in respect of the key messages contained within the report.

### Resource Implications

---

There are no resource implications.

### Legal & Risk Implications

---

There are no legal and risk implications.

### Impact Assessment

---

An EqIA is not required because the report does not propose a change or revision to existing policies and practices.

### Consultation

---

No consultation required.

# 1 Background

---

- 1.1 The Accounts Commission publish an annual report, previously known as the Financial Overview, but now referred to as the Financial Bulletin for local government.
- 1.2 The report provides a high-level independent analysis of the financial performance of all Scottish Councils for the financial year 2021-22 and the financial position at the end of the year. It is one of two overview reports, the second being a report on the wider challenges and performance of local government due to be published in May 2023.
- 1.3 The main source of information for the Financial Bulletin is Councils' 2021-22 audited accounts and external annual audit reports.
- 1.4 The Financial Bulletin is structured into 2 sections: Councils' financial summary 2021-22; and Councils' financial outlook.
- 1.5 The report provides a series of key messages supported by further analysis, comment, and relevant exhibits. The Financial Bulletin 2021/22 is attached as Appendix A.

## 2.0 Fife's Position

---

- 2.1 Within each section of the report, there are key messages that have been drawn from the report and provide commentary of the situation Councils' face across Scotland.
- 2.2 These messages are consistent and demonstrate that Councils' are facing an increasingly complex range of challenges and continued pressure on finances. The challenges include increased levels of uncertainty around funding, increased demand across a wide range of services, and increased levels of 'ring-fenced' Scottish government funding.
- 2.3 Analysis has been undertaken to determine if the position reported for Scotland is consistent with the experience of Fife Council. This was completed by reviewing the report and providing commentary on Fife's position relative to the key messages. Appendix B provides a summary of the key messages from the report and a commentary on Fife's position at 2021-22. It is recognised that financial bulletin is looking back some considerable time and that the position may have moved on since that time and where appropriate this is reflected in the comments.

## 3.0 Conclusions

---

- 3.1 This report provides commentary and summary of Fife Council's position relevant to that reported in the Financial Bulletin published in January 2023.

## **List of Appendices**

Appendix A – Financial Overview 2021/22

Appendix B – Summary of Key Messages & Review of Fife's Position

## **Background Papers**

None

## **Report Contact**

Laura Robertson  
Finance Operations Manager  
Fife House  
03451 555 555 Ext 450552  
Laurac.robertson@fife.gov.uk

Local government in Scotland

---

# Financial bulletin 2021/22



# Contents

|                                        |           |
|----------------------------------------|-----------|
| Key messages                           | <b>3</b>  |
| About this report                      | <b>5</b>  |
| 1. Councils' financial summary 2021/22 | <b>6</b>  |
| 2. Councils' financial outlook         | <b>22</b> |

## **Audit team**

The core audit team consisted of: Blyth Deans, Adam Bullough, Chris Lewis and Martin Allan under the direction of Carol Calder.

# Key messages

## Local government finances for 2021/22

- 1** Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 2** In 2021/22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.
- 3** In 2021/22, Scottish Government revenue funding to councils increased by 5.3 per cent in real terms. This represented the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money). In 2021/22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.
- 4** An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. We calculate this to be 23 per cent of total revenue funding in 2021/22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils.

- 5 Councils have noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

## **Outlook for local government finances**

- 6 Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.
  - 7 Two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue (budget gap) of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.
-



# About this report

- 1.** This bulletin provides a high-level independent analysis of the financial performance of councils during 2021/22 and their financial position at the end of that year. It also sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost of living crisis.
- 2.** The Accounts Commission's wider local government overview report will be published in May 2023 and will include further analysis of the financial information presented in this bulletin along with wider commentary on the financial and performance challenges facing local government.
- 3.** Our primary sources of information for the financial bulletin are councils' 2021/22 audited accounts, including management commentaries and the 2021/22 external annual audit reports, where available. We have supplemented this with data collected as part of a data set request issued to local auditors in October 2022.
- 4.** The Covid-19 pandemic has again created challenges that have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts did not require certification until 30 November 2022. Ten sets of accounts were certified by the revised deadline, with a further 16 signed off thereafter. As at 20 December 2022, five councils' accounts are still to be certified; therefore, analysis in this report is based on 27 sets of audited accounts and five sets of unaudited accounts.
- 5.** We refer to 'real-terms' changes in this bulletin. This means that we are showing financial information from past and future years at 2021/22 prices, adjusted for inflation so that they are comparable. To make that comparison we use gross domestic product (GDP) deflators to adjust for inflation, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK and Scottish governments when analysing public expenditure. As a result of the way that GDP is calculated, Covid-19 resulted in volatility across 2020/21 and 2021/22. To compensate for this, and to provide meaningful comparisons between years, we have used an average GDP growth rate across 2020/21 and 2021/22 in our calculations to separate inflation (changes in prices) from changes in outputs and those largely attributable to Covid-19 spending.
- 6.** We also refer to figures in 'cash terms' in this bulletin. When we use this term it means that we are showing the actual cash or money paid or received.

# 1. Councils' financial summary 2021/22

## Total revenue funding and income

**7.** Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms) ([Exhibit 1, page 7](#)). The majority (55 per cent) of this funding comes from the Scottish Government, with the remaining balance from other sources, see Exhibit 1 for a full breakdown.

**8.** Councils have received a range of new and additional funding amounting to £1.3 billion in 2020/21 and £0.5 billion in 2021/22 to support them in dealing with the financial impacts of the Covid-19 pandemic. This additional Covid-19 funding has decreased as a proportion of overall council funding as the pandemic has progressed, from six per cent of total funding received in 2020/21 to three per cent in 2021/22.

**9.** The Scottish Government also provided councils with £90 million to allow them to freeze council tax levels in 2021/22.

**10.** Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion (or three per cent) real-terms increase in 2021/22 on the previous year, from £19.3 billion to £19.8 billion.

### **The average Council Tax collection rate across Scotland increased during 2021/22. It is now more in line with pre pandemic levels**

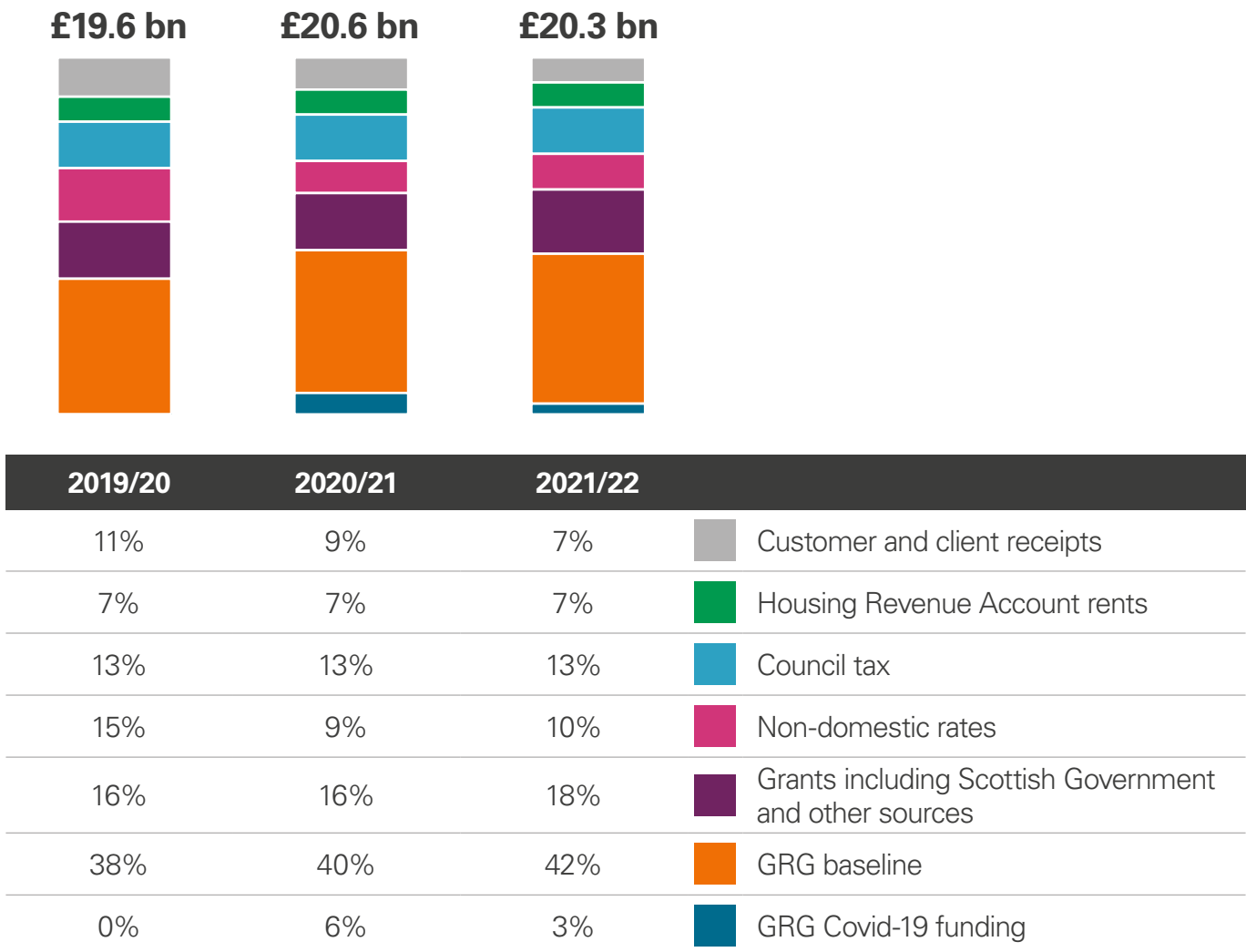
**11.** The in-year collection rate (for 2021/22 charges) increased from an average of 94.8 per cent in 2020/21 to 95.7 per cent, which is broadly in line with pre-pandemic collection rates (95.8 per cent in 2019/20). Collection rates rose across all councils apart from Midlothian which remained static and Orkney which fell by 2.5 per cent. The total amount of council tax billed, taking account of council tax reductions, was £2.7 billion. Of this total, £2.6 billion was collected by 31 March 2022.

Revenue funding and income saw a 3 per cent real terms increase in 2021/22, once Covid-19 related funding is excluded

## Exhibit 1.

### Sources of funding and income 2019/20 and 2021/22

Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms).



Source: Audited financial statements 2019/20, 2020/21 and 2021/22

## Scottish Government funding

**12.** In 2021/22 councils received total revenue funding of £12.1 billion from the Scottish Government. This consisted of General Revenue Grant funding of £8.7 billion; Non-Domestic Rates distribution (NDR) of £2.1 billion, specific grants of £0.8 billion and non-recurring Covid-19 funding of £0.5 billion. Total revenue funding to councils from the Scottish Government increased by 1.1 per cent in cash terms and decreased by 1.6 per cent in real terms in 2021/22 compared to the previous year ([Exhibit 2, page 8](#)).

## Exhibit 2.

### Changes in Scottish Government revenue funding in 2021/22

Scottish Government revenue funding fell by 1.6 per cent in real terms in 2021/22, although when non-recurring Covid-19 funding is taken out there is an increase of 5.3 per cent.

|                                  | 2020/21<br>£ million | 2021/22<br>£ million | Cash<br>change<br>% | Real terms<br>change<br>% |
|----------------------------------|----------------------|----------------------|---------------------|---------------------------|
| General revenue grant            | 8,099                | 8,682                | 7.2                 | 4.4                       |
| Non-domestic rate income         | 1,868                | 2,090                | 11.9                | 8.9                       |
| Specific revenue grants          | 710                  | 776                  | 9.3                 | 6.5                       |
| Non-recurring Covid-19 funding   | 1,254                | 515                  | -58.9               | -60.0                     |
| <b>Total revenue funding</b>     | <b>11,931</b>        | <b>12,063</b>        | <b>1.1</b>          | <b>-1.6</b>               |
| Total revenue excluding Covid-19 | 10,677               | 11,549               | 8.2                 | 5.3                       |

Source: Finance circulars and Scottish Government budget documents

**13.** When non-recurring Covid-19 funding is excluded, the increase in funding from the previous year is 8.2 per cent in cash terms and 5.3 per cent in real terms.

### An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services

**14.** Within the £12.1 billion Scottish Government revenue funding, an element is identified by the Scottish Government as specific revenue grants, set out in the annual settlement to councils. This ring-fenced funding, totalling £0.8 billion in 2021/22 (£0.7 billion in 2020/21), must be used to fund identified policies, such as:

- Early Learning and Childcare Expansion (£546 million)
- Pupil Equity Fund (£120 million)
- Criminal Justice Social Work (£86 million).

**15.** In addition to specific revenue grants, other funding is directed for national policy initiatives, though not formally ring-fenced, this funding is provided with the expectation that it will be spent on specific services.

**16.** Collectively, ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding (18 per cent in 2020/21). £1.61 billion of this was allocated at the start of the year with a further £1.04 billion allocated throughout the year through budget revisions ([Exhibit 3, page 10](#)). A large amount of this was to support elements of education and social care service provision.

### **2021/22 funding levels from the Scottish Government to local government (excluding Covid-19 funding) increased in real terms for the first time since 2015/16 and converged with other Scottish Government revenue funding**

**17.** In previous overview reports, we have commented that Scottish Government funding to local government has not kept pace with relative increases in the levels of funding allocated to other parts of the Scottish Budget. Previous overview reports have also highlighted that for many years now councils have had to make efficiency savings, redesign services, and use reserves to meet budget gaps arising from service demand and budget pressures.

**18.** Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent (in real terms) whereas Scottish Government revenue funding to other parts of the Scottish Government budget increased by a significantly higher figure of 27.2 per cent over the same period. This, and previous differences in relative funding, has largely arisen as a result of Scottish Government policy to protect funding for the NHS.

**19.** Over the period 2013/14 to 2021/22, after two years of relatively static funding local government saw its real-terms revenue funding fall between 2015/16 and 2020/21 (excluding Covid-19 funding) with 2021/22 being the first year of real-terms growth (excluding Covid-19 funding) since 2015/16. In 2021/22 funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.

**20.** The large increases in the Scottish budget in 2020/21 and 2021/22 were a result of Covid-related **Barnett consequentials**. Given these were exceptional sources of funding we have analysed the underlying Scottish Government and local government revenue funding position with Covid-19 funding excluded ([Exhibit 4, page 11](#)). Under this analysis, over the same period, Scottish Government revenue funding to local government increased by 1.6 per cent and Scottish Government revenue funding to other parts of the Scottish Government budget increased by 0.8 per cent.


#### **Barnett consequentials**

The Barnett formula is the way the UK Government ensures that a share of additional funding – allocated only to England – is provided fairly to Scotland, Wales, and Northern Ireland. The formula delivers a fixed percentage of additional funding allocated in England to services which are devolved. Each devolved administration can allocate these funds as it believes appropriate.

## Exhibit 3.

### Ring-fenced elements of Scottish Government revenue funding

The proportion of funding which is ring-fenced and directed or provided for specific services has increased, with around £1 billion allocated during the year in 2021/22.

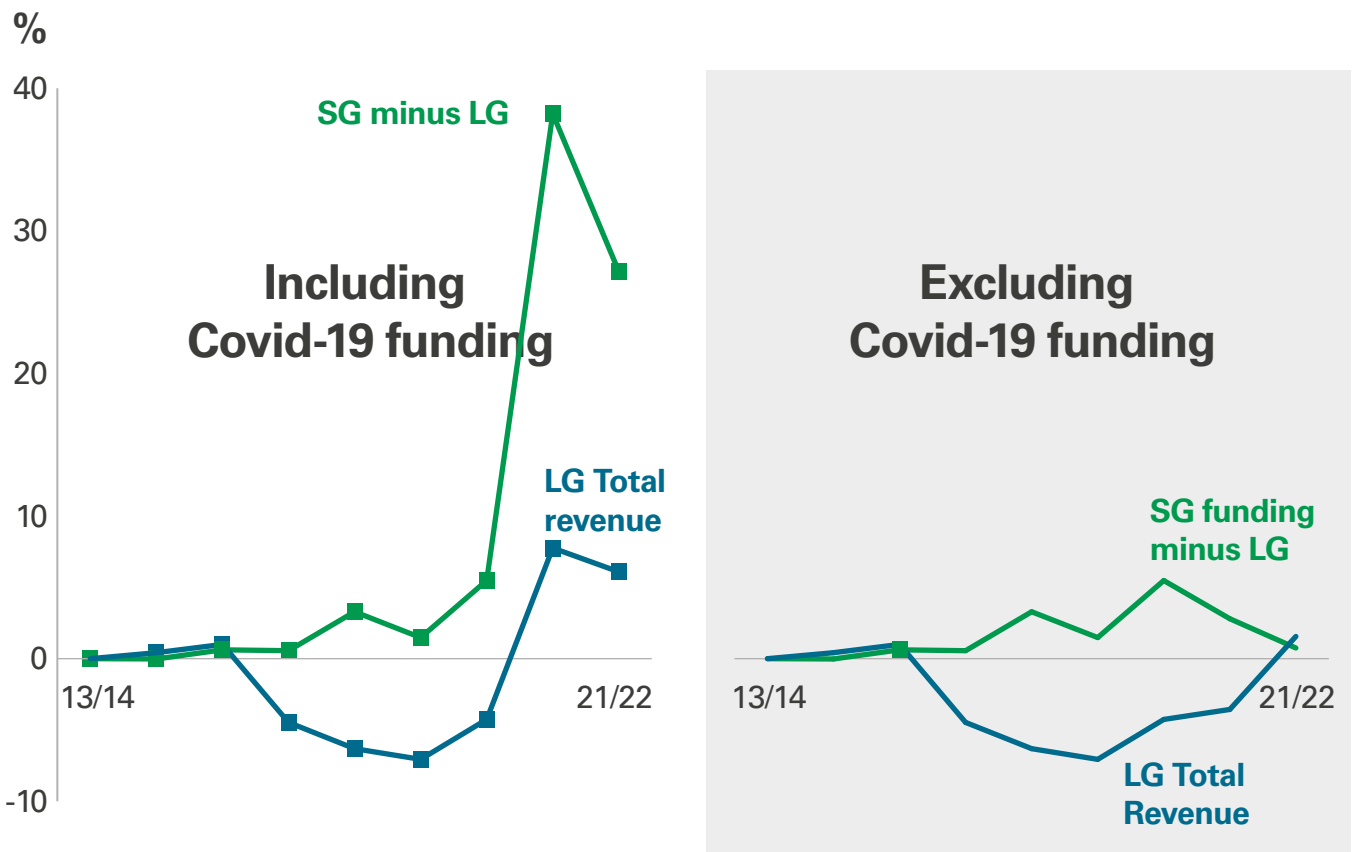
|  Source | 2020/21<br>£ million | 2021/22<br>£ million |
|------------------------------------------------------------------------------------------|----------------------|----------------------|
| Specific Revenue Grant from finance circular                                             | 709.8                | 775.9                |
| Measures outlined in initial circular narrative                                          | 606.3                | 347.4                |
| Transfers from other portfolios in Scottish Budget                                       | 188.1                | 488.1                |
| Redeterminations in further circulars                                                    | 48.0                 | 544.8                |
| Transfers from other portfolios in Autumn budget revision                                | 350.5                | 395.7                |
| Transfers from other portfolios in Spring budget revision                                | 42.9                 | 104.0                |
| <b>Total ring-fenced/expected to be spent on specific services</b>                       | <b>1,945.5</b>       | <b>2,655.8</b>       |
| Total revenue funding                                                                    | 10,667.8             | 11,549.0             |
| <b>Percentage ring-fenced/expected to be spent on specific services</b>                  | <b>18.2%</b>         | <b>23.0%</b>         |

Source: Scottish Local Government Finance Circulars and budget documents. Some elements of funding appear in circulars and Scottish Budget so have been removed to avoid double counting.

## Exhibit 4.

### A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent when Covid-19 funding is included, and by 1.6 per cent when Covid-19 funding is excluded.



Source: Finance circulars and Scottish Government budget documents

## Council budgets and outturn 2021/22

### In 2021/22, budget gaps were largely consistent with previous years

**21.** In 2021/22, Scotland's 32 councils had a budgeted net expenditure of £15.2 billion. At the time of budgeting, councils identified **budget gaps** totalling £0.4 billion (three per cent), which was broadly consistent with the gap identified in the two previous years (£0.5 billion in 2020/21 and 2019/20). The budget gap at a council level varied between one per cent and 22 per cent ([Exhibit 5, page 12](#)).

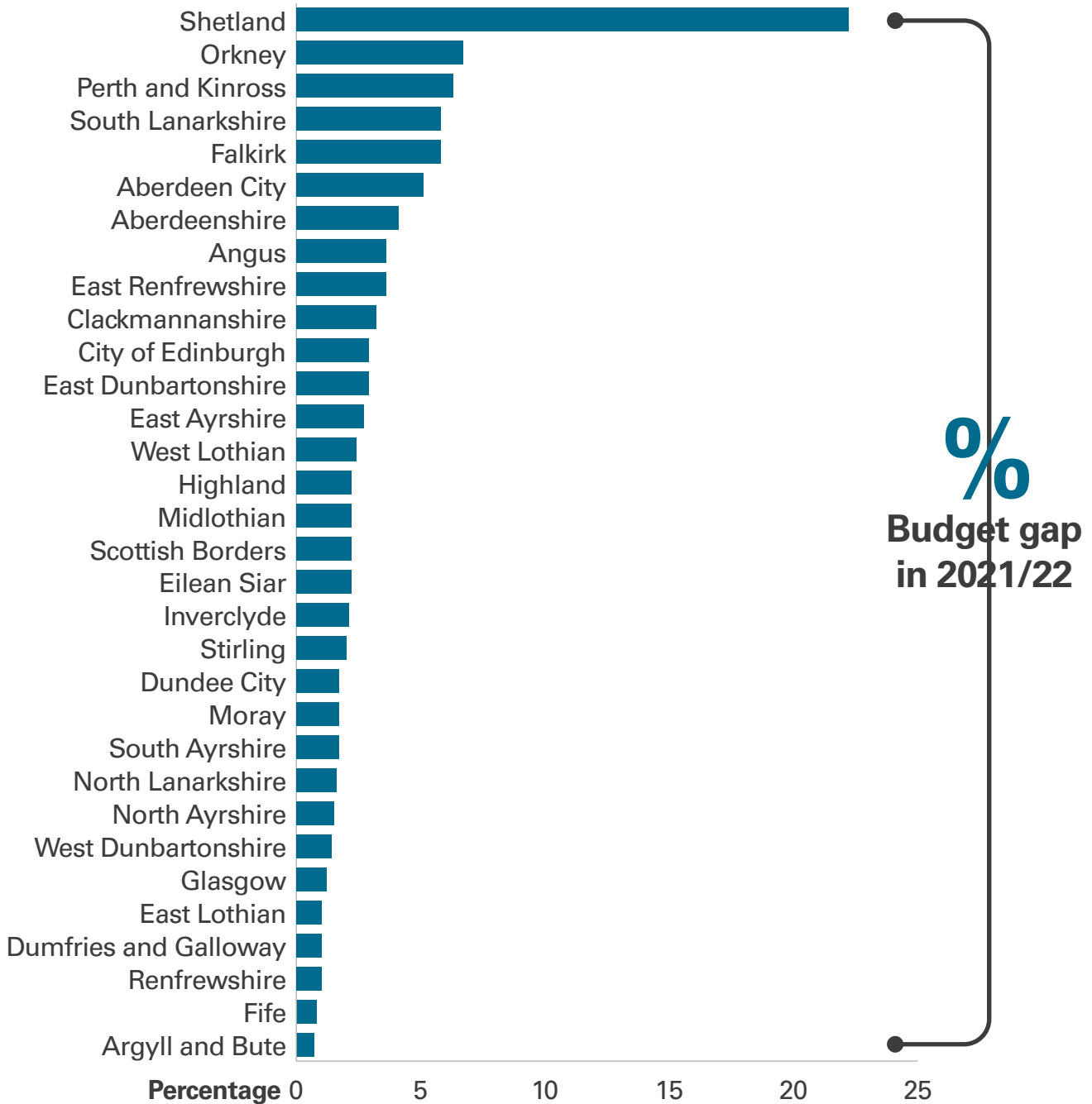
#### Budget gap

This describes the difference between anticipated expenditure and revenue at the time of setting the budget.

## Exhibit 5.

### Budget gap as a proportion of net cost of services for all 32 councils in 2021/22

The budget gap at a council level varied between one per cent and 22 per cent.



Source: Council budget papers, Auditor data return



**22.** Recurring savings were expected to contribute 37 per cent of the £0.4 billion budget gap in 2021/22 along with Scottish Government funding to allow councils to freeze council tax (20 per cent), use of reserves (17 per cent), non-recurring savings (eight per cent), financial flexibilities (four per cent) and a range of other specific actions (12 per cent).

### **Savings performance improved in comparison to previous years**

**23.** Councils had set themselves savings targets totalling £0.2 billion in 2021/22. Ninety-four per cent of these savings were achieved (84 per cent in 2020/21), with 76 per cent on a recurring basis. Fourteen councils achieved their savings targets in full on a recurring basis, whereas five councils had over half of their savings being delivered on a non-recurring basis. Four councils had no savings targets in place for 2021/22 ([Exhibit 6, page 14](#)).

### **Total usable reserves increased by £0.3 billion to £4.1 billion in 2021/22**

**24.** In 2021/22, almost three quarters of councils (23) reported an increase in usable reserves. This compares to all 32 councils reporting an increase in 2020/21, largely as a result of additional Covid-19 funding carried forward. Total usable reserves now stand at £4.1 billion, representing an increase of £0.3 billion (seven per cent) on the previous year. This compares to an increase of £1.2 billion in 2020/21 compared to 2019/20. [Exhibit 7 \(page 15\)](#) details the increase in councils' usable reserves during 2021/22.

**25. General fund reserves**, excluding Housing Revenue Account (HRA), have increased by £0.3 billion to £2.7 billion. The vast majority of this relates to increases in committed balances (that is reserves have been allocated for a specific purpose) which increased by £0.3 billion to £2.3 billion in 2021/22, and is more than half of the total usable reserves balance. Uncommitted reserves (money not earmarked for a specific purpose) have decreased from £0.5 billion in 2020/21 to £0.4 billion in 2021/22. These reserves are used to mitigate the financial impact of unforeseen circumstances. [Exhibit 8 \(page 16\)](#) shows the nature and value of usable reserves in 2021/22.

#### **General fund reserves**

This is the main revenue account which summarises the cost of all services provided by a council.

### **Councils have improved the way in which Covid-19 funds are disclosed in their accounts, but the level of detail varies**

**26.** Elements of Covid-19 funding that have been carried forward in general committed and uncommitted reserves total £0.6 billion, 23 per cent of the total general fund balance. However, at a council level this varies between 49 per cent of the total general fund balance (Moray and West Lothian) to eight per cent (Dumfries and Galloway), ([Exhibit 9, page 17](#)).

## Exhibit 6.

### Councils' savings targets compared with savings achieved in 2021/22

Fourteen councils achieved their savings targets.



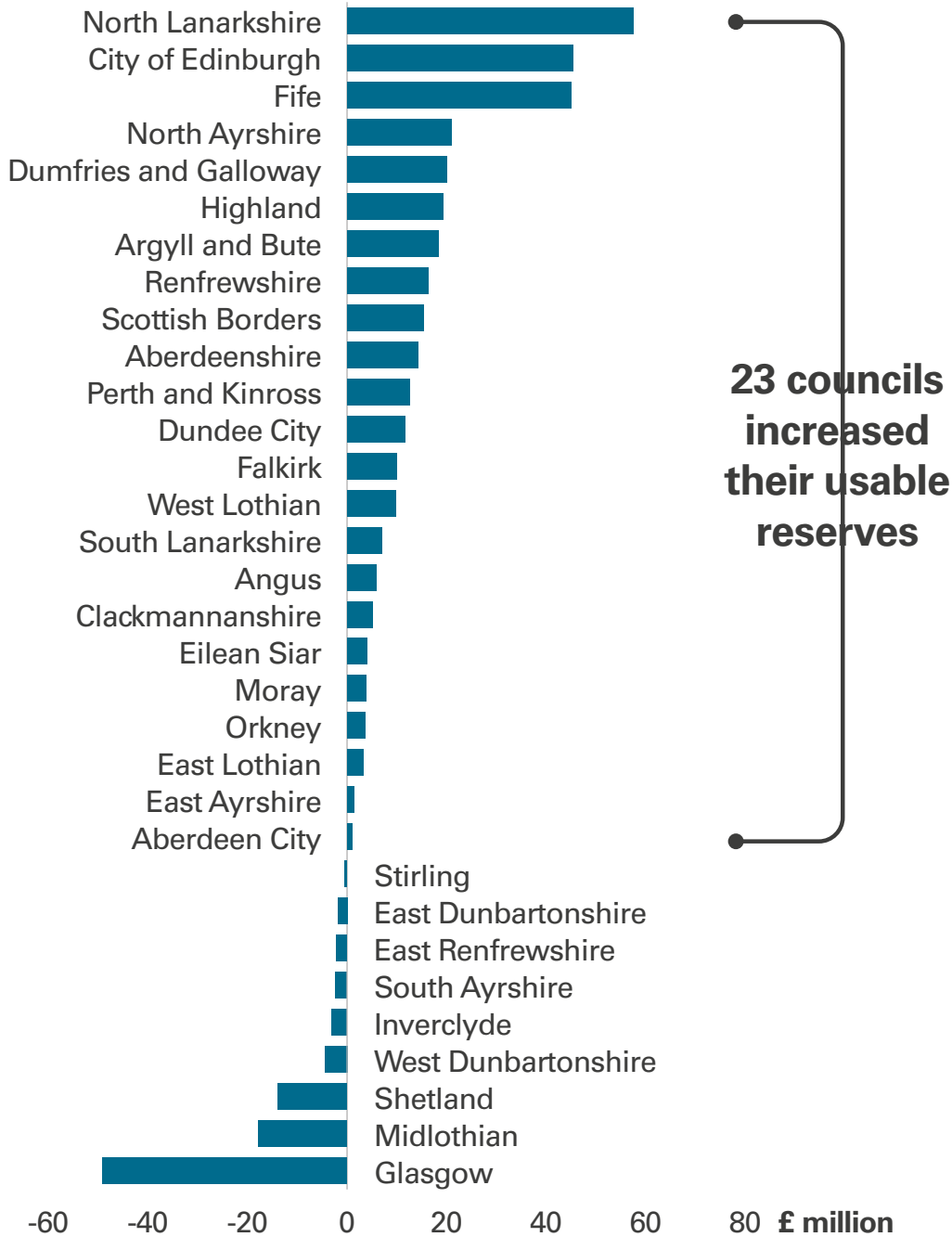
Note: Excludes East Dunbartonshire, Midlothian, Renfrewshire and Shetland due to not having savings targets in place for 2021/22.

Source: Audited financial statements 2021/22

## Exhibit 7.

### Changes in councils' usable reserves during 2021/22

Twenty-three councils increased their usable reserves.

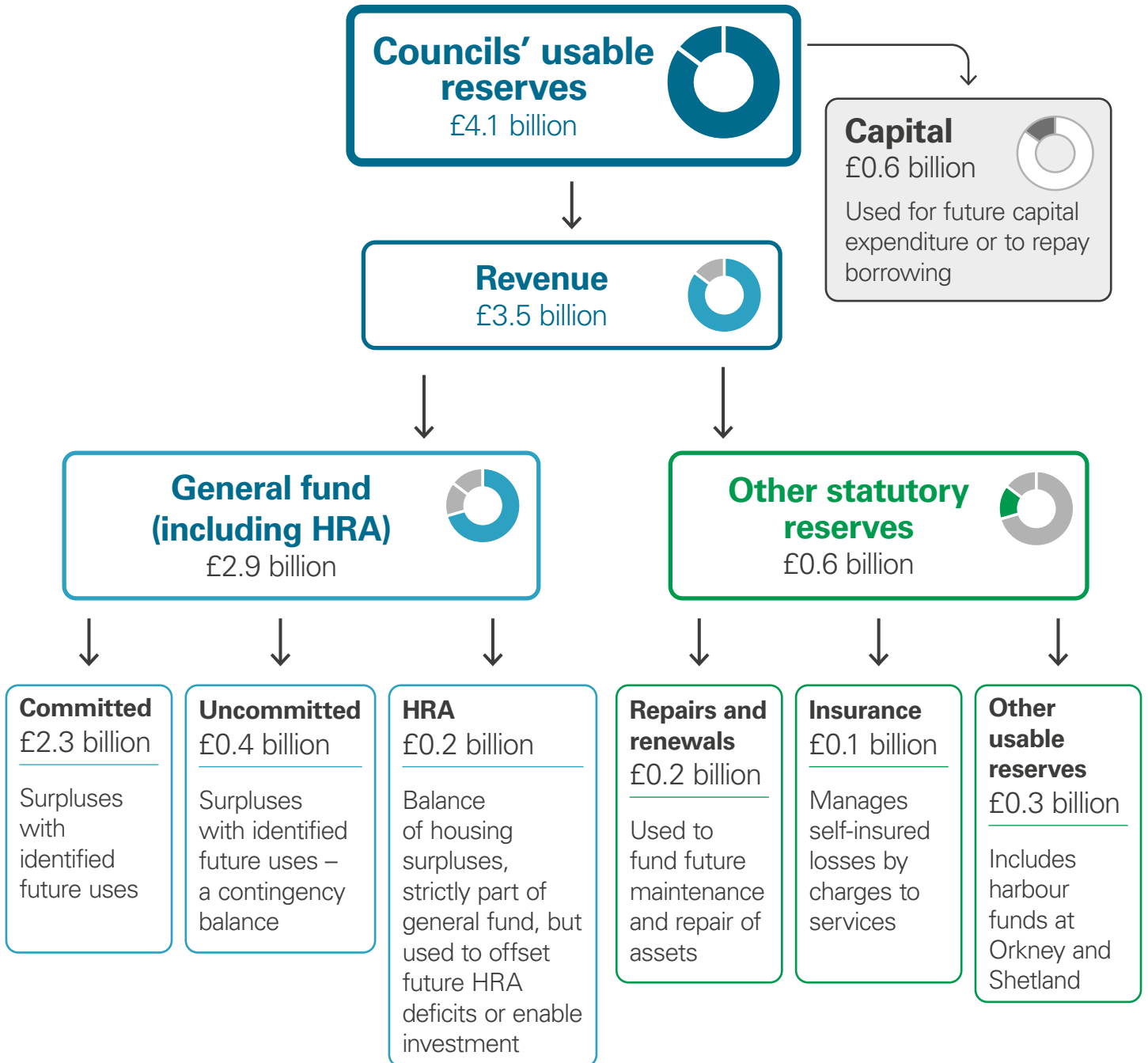


Source: Audited financial statements 2021/22

## Exhibit 8.

### The relative size and nature of councils' usable reserves

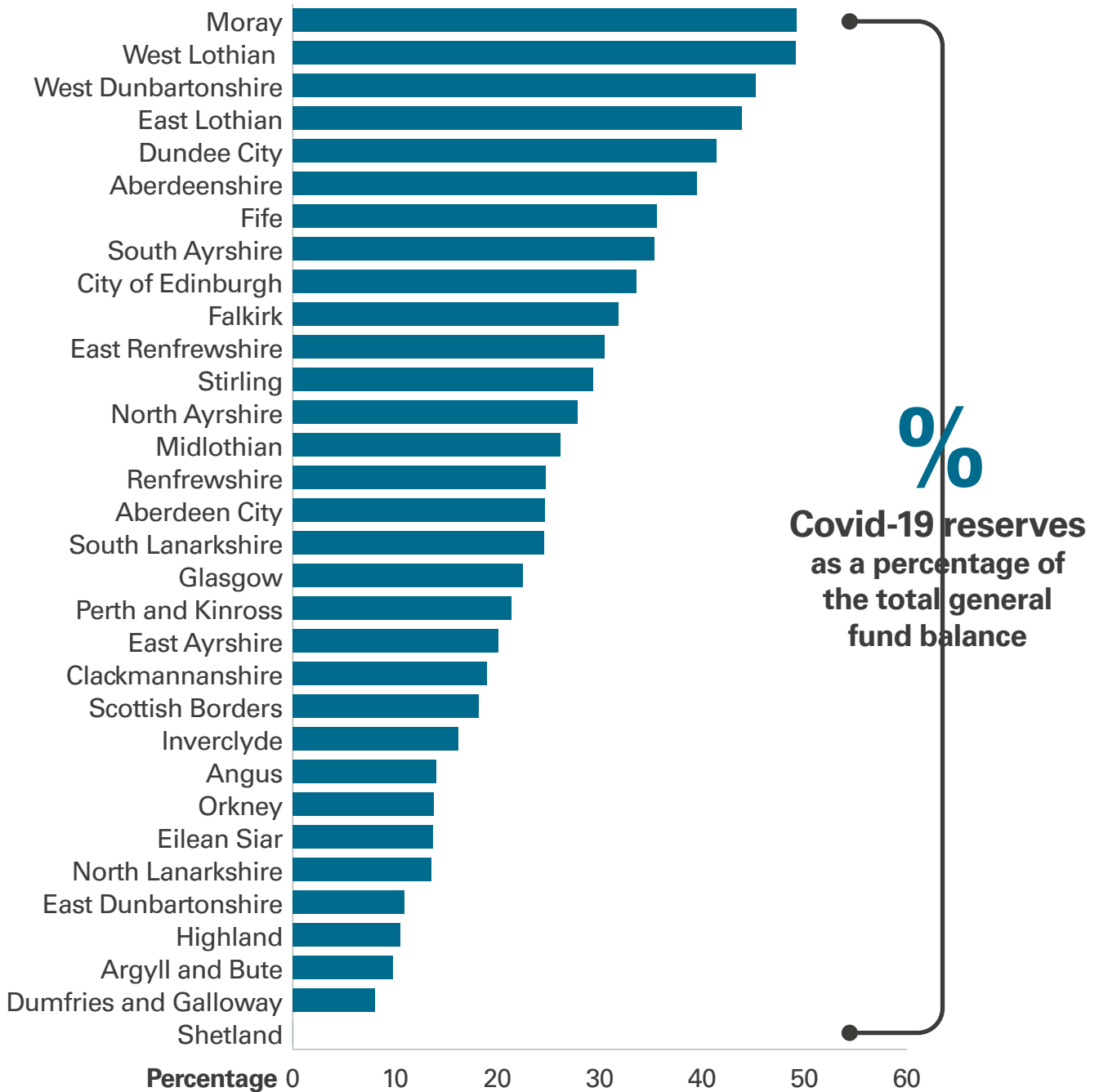
In 2021/22, usable reserves held by councils totalled £4.1 billion.



Source: Audited financial statements 2021/22

## Exhibit 9.

### Total Covid-19 reserves as a percentage of the total general fund balance for 2021/22



Note: Excludes Shetland as they do not have any Covid-19 related reserves carried forward.

Source: Audited financial statements 2021/22

**27.** In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that within the general fund, councils' accounts had not always clearly identified the element arising from Covid-19 funding and recommended that elements of Covid-19 funding that are being carried forward into general reserves should be clearly identified. Councils have improved the way in which Covid-19 reserves are disclosed in their accounts. However, this varies, with nine councils only providing a single line narrative and the remaining councils providing varying levels of detail as to how the funds have been allocated (eg, education, housing, business support, mental health and equalities). Eilean Siar and Aberdeen City had the most detailed breakdowns.

**Local government  
in Scotland:  
Financial overview  
2020/21**

Accounts  
Commission  
March 2022



## Capital

### Capital expenditure increased in 2021/22 though was still below the level in 2019/20

**28.** Capital spending across Scotland increased by £0.7 billion in 2021/22, from £2.4 billion in 2020/21 to £3.1 billion ([Exhibit 10, page 19](#)). Capital spending in 2019/20 was £3.6 billion.

**29.** Twenty-six councils (81 per cent) reported higher capital expenditure in 2021/22 than in 2020/21. Only six councils spent less on their capital programmes in 2021/22 than 2020/21.

**30.** The main sources of capital financing are still government grants. These were largely unchanged from 2020/21 (£1.1 billion in 2021/22 compared to £1.2 billion the previous year), however, the overall increase in capital expenditure means that an increasing amount is financed by borrowing.

### Covid-19, inflationary costs and shortages in construction materials had an impact on capital projects

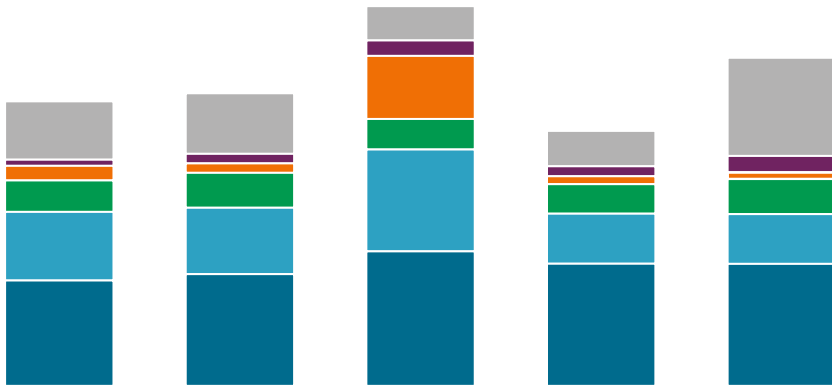
**31.** Auditors in councils reported slippage against capital projects and cited Covid-19, inflationary costs and shortages in construction materials as reasons for this. If these issues persist they will present risks to councils' capital programmes which are a necessary component of modernising services to deliver improved outcomes for local communities. There were some exceptions, for example in West Lothian where expenditure on capital was £141.3 million, an increase of £14.8 million against its original budget. Acceleration of £13.1 million for new developer-funded schools at Winchburgh was the most notable example.

Capital  
spending  
across  
Scotland  
increased in  
2020/21 to  
£3.1 billion

## Exhibit 10.

### Capital expenditure analysed by sources of finance 2017/18 to 2021/22

Capital expenditure increased in 2021/22 although an increasing proportion was funded through an increase in borrowing.



| 2017/18      | 2018/19      | 2019/20      | 2020/21      | 2021/22      |                                                          |
|--------------|--------------|--------------|--------------|--------------|----------------------------------------------------------|
| 21%          | 21%          | 9%           | 14%          | 30%          | An increase in borrowing                                 |
| 2%           | 3%           | 4%           | 4%           | 5%           | Other contributions and Public Private Partnership (PPP) |
| 5%           | 3%           | 17%          | 3%           | 2%           | Capital receipts                                         |
| 11%          | 12%          | 8%           | 12%          | 11%          | Capital Funded from Current Revenue (CFCR)               |
| 24%          | 23%          | 27%          | 20%          | 15%          | Internal Loans fund repayments available to reinvest     |
| 37%          | 38%          | 35%          | 48%          | 37%          | Government grants                                        |
| <b>2,687</b> | <b>2,749</b> | <b>3,605</b> | <b>2,408</b> | <b>3,099</b> | <b>Total expenditure (£ million)</b>                     |

Source: Audited financial statements 2017/18 – 2021/22

Further information about how councils may borrow money to fund capital expenditure can be found at [Local government borrowing: factsheet](#).

**32.** Slippage against capital projects was noted at some councils in 2021/22:

- **Dundee City Council:** Capital works costing £57 million were completed in 2021/22 against a budget of £117 million, representing slippage of 51 per cent. This was highlighted as a risk to the council delivering against strategic objectives.
- **East Dunbartonshire Council:** General services capital spending was £69 million compared with an initial budget of £96.3 million, which was subsequently revised downwards to £76.1 million for projects impacted by Covid-19. The main area of slippage was related to a new additional support needs school (£3.5 million) which has been rescheduled to 2022/23. Housing capital expenditure totalled £15.9 million against a revised budget of £17.5 million.
- **East Lothian Council:** The general services capital budget for 2021/22 was £97.7 million. A significant element of the £32.7 million underspend has been reprofiled to 2022/23. In addition to the issues and challenges arising from Covid-19, supply chain problems and the war in Ukraine were reported as having increased certain costs as well as the council's risk exposure for capital investment. The HRA capital budget for 2021/22 was £29.7 million. The overspend of £1.2 million reflects accelerated new build council housing, the costs of which have been partially offset by additional grant funding above the budgeted figure.

### **Net debt has increased by £0.2 billion since 2020/21**

**33.** Total net debt (total debt less cash and investments) has increased across councils by £0.2 billion to £16.4 billion. Fifteen councils have increased their net debt in 2021/22. This compares to eight councils in 2020/21.

**34.** Councils' total debt has increased by £0.3 billion to £19 billion; this may be related to the increased need to borrow to fund capital expenditure, with 19 out of 32 councils having increased long-term borrowing from the previous year and 15 councils with increased short-term borrowing compared to the previous year.



## Local government pension funds

### 2021/22 Pension Fund investment returns, although largely positive, were 62 per cent lower than in the previous year

**35.** Ten of the 11 main Scottish Local Government Pension Funds experienced positive investment returns in 2021/22. Orkney Islands Pension Fund recorded a loss on investment activity, representing 2.7 per cent of the net investment assets brought forward into 2021/22.

**36.** Although Pension Fund investment returns were largely positive, net returns on investments were 64 per cent lower than in 2020/21 (in cash terms). The net returns on investments, as a proportion of the brought forward net investment assets total, varied between a reduction of 2.7 per cent and an increase of 11 per cent in individual funds.

### Scottish Pension Fund's funding positions have generally improved since the last triennial valuation

**37.** Scottish Pension Funds recorded a cumulative **funding level** of 104 per cent, ranging from 92 per cent to 118 per cent, per the triennial actuarial review figures as at 31 March 2020. At the time of this valuation, four of the 11 Scottish Local Government Pension Funds recorded liabilities as being greater than assets. Although four of the funds recorded liabilities in excess of assets, the 2020 position represented an improvement since the 2017 triennial valuation.

**38.** Auditors reported that the Covid-19 pandemic had a significant impact on Scottish Pension Fund's funding position and asset valuations, as indicated in the **triennial valuation** as at 31 March 2020. Auditors have indicated that since the valuation, asset values have largely recovered.

**39.** Preparation is under way for the next triennial valuation covering the period to 31 March 2023. Any changes to employer contributions as a result of the next valuation will not take effect until 2023/24.

#### Funding Level

This describes the pension fund assets as a proportion of the liabilities, arising from pension benefits payable.

#### Triennial valuation

Every three years an actuarial valuation is carried out to monitor the assets of the fund against the liabilities of the pension benefits payable.

## 2. Councils' financial outlook

### Councils are having to deal with a number of significant financial challenges and will need to make some difficult decisions with their spending priorities

**40.** In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that the longer-term funding position for councils remained uncertain, with significant challenges ahead as councils continued to manage and respond to the impact of Covid-19 on their services, finances and communities.

**41.** At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now having to deal with the cost of living crisis and inflationary pressures. Councils consistently identified short- and long-term cost pressures in their initial 2022/23 budget papers, including:

- pay inflation and living wage costs
- costs associated with Covid-19 recovery
- energy inflation
- non-pay inflation (including cost of materials, construction costs and contract inflation)
- demand for and price sensitivity of chargeable services and the related impact on income from fees and charges.

**42.** Common themes across management commentaries from councils unaudited accounts for 2021/22 are that councils continue to face significant financial challenges going forward and will need to deliver consistent recurring savings and use reserves to deal with the immediate and on-going financial impacts. They also note that elected members will need to make increasingly difficult choices, which could include having to consider service reductions. Further commentary and analysis on the future funding position of councils and the associated challenges will be included in the wider local government overview being published in May 2023.

[Local government in Scotland: Financial overview 2020/21](#)

Accounts  
Commission  
March 2022



### **The future funding settlements set out in the Scottish Government's Resource Spending Review reflects flat cash funding settlements for 2022/23 to 2025/26**

**43.** In May 2022 the Scottish Government published the first multi-year Resource Spending Review (RSR) in Scotland since 2011, outlining its resource spending plans to the end of this Parliament in 2026/27. The RSR assumes an overall cash-terms increase to the Scottish Government spending envelope of £5.7 billion over the period 2022/23 to 2026/27. The estimated increase in local government funding over this period would be £0.1 billion. This reflects flat cash funding levels for 2022/23 to 2025/26, with a small uplift in 2026/27. However, the outlook of the RSR may look different after the Scottish Government's 2023/24 budget.

**44.** The Fraser of Allander Institute [reported](#) in May 2022 that the RSR provides welcome insight on government priorities, and highlights a scale of challenges facing public services. However, spending plans are expressed at 'level 2' for the four years of the Spending Review period. That means financial information is at a less detailed level than public bodies would ideally like for planning purposes. It also noted that at the time of their review the RSR implies that the local government budget will decline by seven per cent in real terms between 2022/23 and 2026/27. The Convention of Scottish Local Authorities (COSLA) has expressed concerns that a flat cash settlement will result in fewer jobs and cuts to services.

**45.** Following the RSR, in December 2022, the Scottish Government presented their [proposed spending and tax plan for 2023/24](#) to the Scottish Parliament. In this updated position, the Scottish Government sets out that there will be an increase of over £570 million in additional revenue and capital funding available to councils for 2023/24. They also confirmed that they would not seek to freeze or set a cap on council tax increases, giving council's full flexibility to vary rates locally.

**46.** The recent Scottish Parliament Information Centre (SPICe) [publication](#) reports that, once adjustments are made for the in-year funding councils will receive for free school meals, the additional funding for 2023/24 was just under £640 million. SPICe report that this will represent a £223 million real terms increase in funding, based on 2022/23 prices.

**47.** COSLA had previously estimated a [£1 billion gap](#) for councils in 2023/24 and argue that the uplift amounts to £71 million once national policy commitments are taken into account. They welcome the flexibility to set their own council tax rates but state that the scope to do this will be limited due to the cost of living crisis.

## Budgets for 2022/23

### Councils intend to bridge the budget gap of £0.4 billion for 2022/23 with planned savings and reserves, but the reliance on non-recurring reserves is not sustainable in the medium to long-term

**48.** At the time of budgeting, councils identified budget gaps totalling £0.4 billion in real terms, which represented three per cent of the 2021/22 net cost of services. This is consistent with the gap identified in the previous years. The 2022/23 estimated budget gap as a proportion of 2021/22 net cost of services varied across councils from an anticipated surplus of 0.2 per cent to a gap of 23 per cent ([Exhibit 11, page 25](#)).

**49.** The majority of the estimated budget gap for 2022/23 was planned to be funded through the following ([Exhibit 12, page 26](#)):

- agreed recurring savings (36 per cent)
- use of reserves (32 per cent)
- increases in Council Tax (16 per cent).

**50.** Sixty-six per cent of councils intended to use reserves to help bridge the 2022/23 budget gap, however, the use of reserves is not sustainable in the medium to long term. The achievement of recurring savings and a movement away from the reliance and use of non-recurring reserves will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

## 2022/23 funding settlement

### Scottish Government revenue funding in 2022/23 decreased by 0.1 per cent in real terms when non-recurring funding elements are excluded

**51.** In [paragraphs 43 to 47](#) we have outlined the longer-term Scottish Government spending plans which were set out in the RSR. The initial local government revenue settlement from the Scottish Government in 2022/23, before taking into account non-recurring elements, increased by 3.9 per cent (cash terms) from 2021/22 to £12.0 billion. This was a real terms decrease of 0.1 per cent ([Exhibit 13, page 27](#)).

**52.** Non-recurring Covid-19 funding provided to councils in 2021/22 was £0.5 billion, the last year of this funding. In 2022/23, an additional £0.25 billion has been allocated to reduce council tax bills.

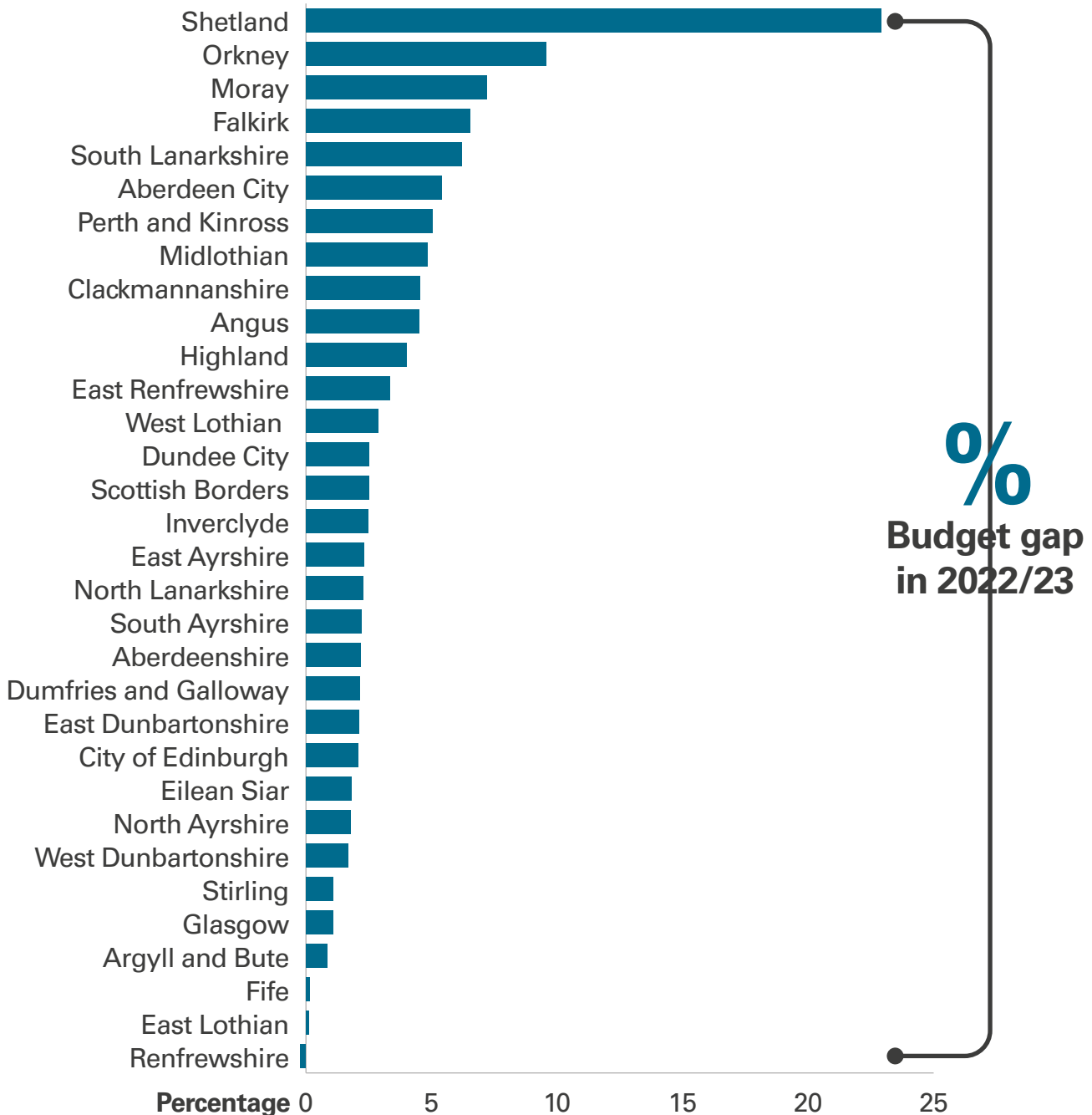
**53.** Total revenue funding in 2022/23 was £12.3 billion. This is a 2.4 per cent real-terms reduction on the 2021/22 position.

Councils identified budget gaps totalling £0.4 billion (3%) in real terms, of the 2021/22 net cost of services

## Exhibit 11.

### Budget gap as a proportion of net cost of services for all 32 councils in 2022/23

The budget gap at a council level varied between a 0.2 per cent surplus and a 22 per cent gap.

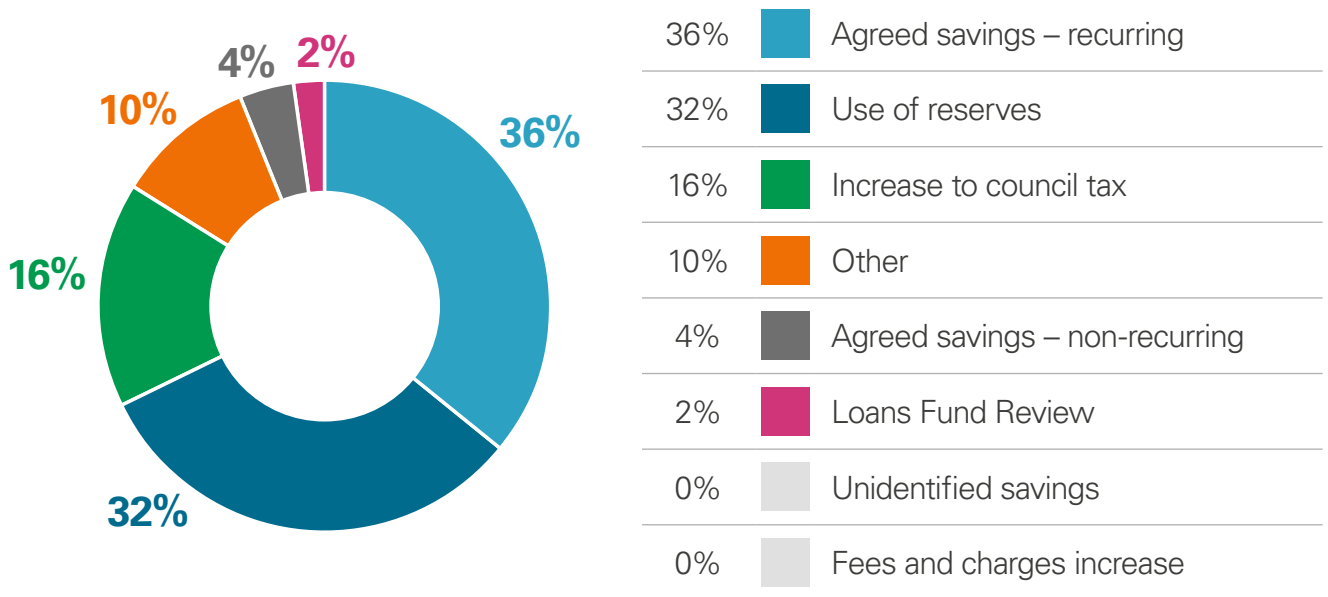


Source: Council budget papers, Auditor data returns

## Exhibit 12.

### Aggregate analysis of all 32 councils' proposed ways to meet the budget gap for 2022/23

The majority of the estimated budget gap for 2022/23 was planned to be funded through agreed recurring savings, use of reserves and increases in Council Tax.



Source: Auditor data returns

## Exhibit 13.

### Changes in Scottish Government initial revenue funding from 2021/22 to 2022/23

Total revenue funding will fall by 2.4 per cent in real terms in 2022/23.

|                                                     | 2021/22<br>£ million | 2022/23<br>£ million | Cash<br>change<br>% | Real terms<br>change<br>% |
|-----------------------------------------------------|----------------------|----------------------|---------------------|---------------------------|
| General revenue grant                               | 8,682                | 8,450                | -2.7                | -6.5                      |
| Non-domestic rate income                            | 2,090                | 2,766                | 32.3                | 27.2                      |
| Specific revenue grants                             | 776                  | 785                  | 1.1                 | -2.8                      |
| Non-recurring Covid-19 funding                      | 515                  |                      |                     |                           |
| Cost of living funding                              |                      | 250                  |                     |                           |
| <b>Total revenue funding</b>                        | <b>12,063</b>        | <b>12,250</b>        | <b>1.5</b>          | <b>-2.4</b>               |
| Total revenue excluding Covid-19/<br>cost of living | 11,548               | 12,001               | 3.9                 | -0.1                      |

Source: Finance circulars and Scottish Government budget documents

**54.** Scottish Government funding will not include Covid-specific allocations from the UK Government in 2022/23, however, there will be an increase in the overall Scottish Government budget. If we remove Covid-19 funding in 2021/22 from our analysis, the Scottish Government budget is set to increase by seven per cent in real terms, as opposed to a real-terms cut in local government funding of 0.1 per cent. However, if we include Covid-19 funding in the 2021/22 Scottish Budget, in 2022/23 it falls in real terms by ten per cent, a bigger fall than local government.

## Capital funding

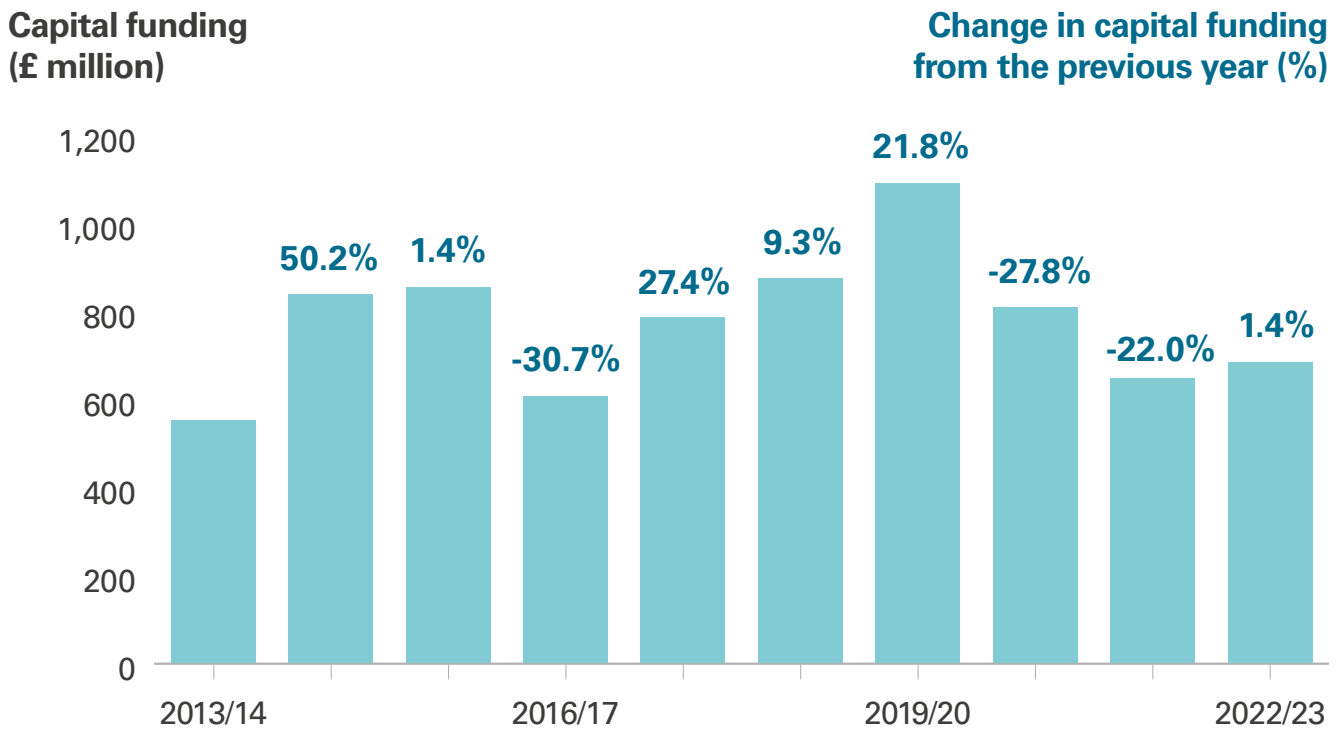
### The Local Government capital settlement in 2022/23 increased from £649 million in 2021/22 to £685 million

**55.** Capital funding has increased by 1.4 per cent in real terms between 2021/22 and 2022/23. Capital funding had experienced significant increases up to 2019/20 before falling in 2020/21 and 2021/22. Real-terms total capital funding has now returned to levels closer to those seen in 2016/17 ([Exhibit 14, page 28](#)).

## Exhibit 14.

### Real-terms Scottish Government capital funding between 2013/14 and 2022/23

Scottish Government capital funding will increase slightly in 2022/23, but this follows two years of decreases over 20 per cent.



Source: Finance circulars and Scottish Government budget documents

**56.** Higher interest rates and inflationary costs will present risks to councils' capital programmes going forward. The affordability of capital spend will be significantly impacted by changes in interest rates. Some councils have anticipated costs will double, which has meant they will need to consider the affordability of their capital programmes going forward.



# Local government in Scotland

# Financial bulletin

## 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit: [www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

For the latest news follow us on social media or [subscribe to our email alerts](#).



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

ISBN 978 1 915839 01 5

**Local Government in Scotland**  
**Audit Scotland - Financial Bulletin 2021-22**  
**Summary of Key Messages & Review of Fife Position**

| Section                                    | Key Messages                                                                                                                                                                                                                                                                                                                                                                                                                                    | Fife's Position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Part 1 Councils' Financial Summary 2021-22 | Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021-22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities                                                                                                                                                                                              | In November 2020, a budget gap of £19m was reported to the Policy and Co-ordination Committee, this included an assumed 1% reduction in funding from the Scottish Government. However, following publication of the Local Government Finance Order, in March 2021, Scottish Government provided a much more favourable Financial Settlement and Fife's received an overall funding increase of 0.1% after new burdens, thus resulting in a small surplus of circa. £4m for 2021-22. (Exhibit 5 refers)                                                                                                                                                           |
|                                            | In 2021-22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.                                                                                                                                                                                                                        | <p>Fife's reserves increased by £47m, predominately due to non-recurring COVID funding provided by the Scottish Government during 2021-22 and grant funding received in advance of requirement to incur expenditure (25% of additional funding was received in the last quarter of 2021-22). (Exhibit 7 refers)</p> <p>In terms of savings, Fife delivered 44% (£1.134m) of planned savings of £2.575m in 2021-22. This was due to a delay in implementation due to the Pandemic. Where there was a shortfall in savings achieved against target, services were required to identify and implement alternative savings to contain expenditure within budget.</p> |
|                                            | In 2021-22, Scottish Government revenue funding to councils increased by 5.3 per cent in real terms. This represented the first real-terms increase on the 2013-14 revenue funding position since 2015-16 (excluding one-off Covid-19 money). In 2021-22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago. | Although the total funding represents an overall increase, this is due to funding of specific and emerging policy decisions e.g. ELC, Health and Social Care etc. The core funding is diminishing.                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                      | An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. We calculate this to be 23 per cent of total revenue funding in 2021-22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils.                                                                 | The increase in proportion of specific Grant funding within Fife replicates the national picture which continues to account for a larger proportion of total revenue funding, increasing from 3.1% in 2018-19 to 7.0% in 2021-2022 for Fife.                                                                                                                                                                                                                                                                                                                                               |
| Part 2 – Council’s Financial Outlook | Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost-of-living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.                                                                                                                                            | The budget gap reported for 2022-23 and 2023-24 was £14.9m and £34.4m respectively. Therefore, decisions taken during the 2021-22 budget setting process were to be taken in the context of the implications of future years’ budgets. During Stage 1 of the Budget Bill in Parliament in February 2022, the Scottish Government, provided additional one-off funding for Councils (£140m). Fife received just over £8.1m of this funding. This additional funding together with a 3% increase in Council Tax, provided the opportunity for investment of £3.7m within the 2022-23 budget. |
|                                      | Two-thirds of councils intend to use reserves to help bridge their 2022-23 budget gap of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever. | Due to previous decisions and continued financial prudence, Fife did not need to use reserves to balance the budget for 2022-23 but due to the continuing challenging financial outlook, is likely to utilise a relatively small amount of these non-recurring funds (reserves) in 2023-24.                                                                                                                                                                                                                                                                                                |

2<sup>nd</sup> March, 2023

Agenda Item No. 6

---

## 2022/23 Issued Audit Reports

---

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

---

**Wards Affected:** All

---

### Purpose

---

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

### Recommendation(s)

---

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

### Resource Implications

---

None.

### Legal & Risk Implications

---

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

### Impact Assessment

---

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

### Consultation

---

Audit Services has consulted all subjects of the audit reports.

## 1.0 Background

---

- 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. We examine, evaluate and report, 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

---

- 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 cover a number of Services and areas.
- 2.3 A short outline of each report is contained in Appendix 1. Report numbers 90, 91 and 92 are from assignments in the 2021/22 Internal Audit Plan. All other reports summarised in Appendix 1 have been referenced utilising a new report numbering system, which was introduced for assignments in the 2022/23 Internal Audit Plan.
- 2.4 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 actions;
  - reasons for non-implementation; and
  - explanations for redundant recommendations.
- 2.5 The results of all PAR exercises are reported to Standards, Audit and Risk Committee.

## 3.0 Conclusions

---

- 3.1 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.
- 3.2 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

---

1. Summary of Audit Reports Issued

Report Contact:

Carolyn Ward

Audit Team Manager, Audit and Risk Management Services

Email – [Carolyn.Ward@fife.gov.uk](mailto:Carolyn.Ward@fife.gov.uk)

| SERVICE, REPORT AND PURPOSE                                                                                                                            | SUMMARY OF FIFE COUNCIL AUDIT REPORTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1. Enterprise and Environment</b><br/> <b>- Property Services</b><br/>           Vacant Non-Housing Properties<br/>           (Report 01/22)</p> | <p>This audit reviews how well Property Services manages vacant non-housing property and ensures compliance with current regulations and guidance.</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>• The procedural flowchart to assist relevant parties through the process of vacating premises could be extended in certain areas such as legal advice and it is not version controlled.</li> <li>• Formal channels of communication are not sufficient between key stakeholders, including that relevant emergency services are not advised when properties are vacated.</li> <li>• There is not always evidence to confirm the approval to vacate a property / properties.</li> <li>• There is a lack of evidence that risk assessments were carried out on all properties that are currently vacant before they were vacated and that they cover all the items on the Vacant / Surplus Building Checklist.</li> <li>• The Vacant / Surplus Building Checklist is extensive but contains some errors and omissions e.g. lacks version control, making notifications, thresholds, and whether electricity and / or alarms are needed.</li> <li>• Findings from inspections are not always promptly actioned e.g., property damage, trip hazards, combustible materials, alarm status, electricity supply, vegetation.</li> <li>• Copies of relevant documents, such as asbestos registers, are not always available for inspection in the properties sampled.</li> <li>• Current contractual arrangements for inspections lack detailed specifications but Property Services are working with Procurement, Housing and Risk Management on a new tender, including more detailed specifications.</li> </ul> <p>Satisfactory actions have been agreed for the 9 audit recommendations (9 Substantial) in the report to be implemented by 31 March 2023.</p> |

| SERVICE, REPORT AND PURPOSE                                                                                                                                        | SUMMARY OF FIFE COUNCIL AUDIT REPORTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>2. Communities</b></p> <p><b>- Customer and Online Services, Customer Services Team</b></p> <p>Tell Us Once<br/>(Report 02/22)</p>                           | <p>This audit reviews the processes, procedures and effectiveness of the national Tell Us Once (TUO) service as it is operating within Fife Council</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 2</li> <li>• System Materiality           Grade 3</li> <li>• Overall Risk                    Low</li> </ul> <p><u>Findings:</u></p> <p>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• There are no documented TUO procedures in place for Customer Service Advisors (Registration) working within the Customer Services Team for the TUO process or within two of the Services in the sample checked detailing how they access the TUO system to obtain notifications.</li> <li>• Existing TUO procedures do not include the requirement for the TUO system to be checked by Services frequently, to ensure this information is acted upon timeously, before it is automatically removed.</li> <li>• Services are not automatically prompted to check TUO notifications that require action.</li> <li>• Whilst we have been advised that the 4 weekly TUO Notification reports have been reviewed and acted upon, there is no evidence available to demonstrate that this is the case.</li> <li>• An improvement around the efficiency of the FER process was also identified through the fieldwork of this audit, and a recommendation has been made to address this.</li> </ul> <p>Satisfactory actions have been agreed for the 5 audit recommendations (5 Moderate) in the report to be implemented by 31 March 2023.</p> |
| <p><b>3. Education and Children's Services Finance and Corporate Services</b></p> <p><b>- BTS</b></p> <p>Asset Management – Digital Devices<br/>(Report 03/22)</p> | <p>This audit reviews how well Education &amp; Children's Services and Business Technology Solutions (BTS) control and monitor the issue of digital devices and connectivity to schools, an initiative which was funded by the Scottish Government to tackle digital exclusion amongst children and young people and ensure compliance with regulations and guidance issued by the Scottish Government.</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> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |





| SERVICE, REPORT AND PURPOSE                                                                                                                                                                    | SUMMARY OF FIFE COUNCIL AUDIT REPORTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                | <p>Policy, Protective Marking Policy and System Access Policy for Non-Council Employees, were subject to regular review or readily made available to staff.</p> <ul style="list-style-type: none"> <li>• Although the Gate Review Checklist verifies that the Technical Specifications were complete and approved at the relevant Gate Review, there is no evidence of formal approval of the Technical Specifications, as required from a review member for the School Food Labelling or Waste Disposal and Data Management projects, which were reviewed as part of the audit fieldwork.</li> <li>• The Exit Strategy for the Waste Disposal and Data Management contract has not been formally signed off by Council stakeholders and the supplier.</li> </ul> <p>Satisfactory actions have been agreed for the 4 audit recommendations (2 Substantial and 2 Moderate) in the report to be implemented by 30 June 2023.</p> |
| <p><b>5. Communities</b><br/> <b>- Customer Services</b><br/> Scottish Welfare Fund<br/> (Report 05/22)</p>                                                                                    | <p>This audit reviews the arrangements in place to manage the Scottish Welfare Fund (SWF) Crisis Grants, Community Care Grants and Self-isolation Support Grants in line with Scottish Government guidance.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 1</li> <li>• System Materiality           Grade 4</li> <li>• Overall Risk                    Low</li> </ul> <p><u>Findings:</u></p> <p>There were no areas for improvement identified.</p>                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>6. Finance and Corporate Services, Revenue and Commercial Services</b><br/> <b>- Shared Service Centre</b><br/> Bank and Suspense Account Reconciliations – Payroll<br/> (Report 90)</p> | <p>This audit reviews how well the Shared Service Centre controls Payroll Bank and Suspense Account Reconciliations.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 3</li> <li>• System Materiality           Grade 5</li> <li>• Overall Risk                    High</li> </ul> <p><u>Findings:</u></p> <ul style="list-style-type: none"> <li>• Reconciliations, particularly bank reconciliations, rely heavily on manual preparation rather than using the automated functionality within Oracle Cloud. Since the completion of the audit fieldwork, all the longstanding reconciling items have been identified and the</li> </ul>                                                                                                                                                                                                                          |

| SERVICE, REPORT AND PURPOSE                                                                                                             | SUMMARY OF FIFE COUNCIL AUDIT REPORTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                         | <p>automated bank reconciliation function is being run in parallel with the manual processes, pending their final resolution.</p> <ul style="list-style-type: none"> <li>• The Transactions Lead Officer has been preparing some reconciliations that they had previously been independently checking because training for staff on the new systems has been delayed.</li> <li>• Training records for staff dealing with payroll reconciliations are not up to date.</li> <li>• Written procedures are incomplete and do not show formal authorisation, version control or references to controls required by the Financial Regulations; and they had not been updated to show changes required by the interim processes.</li> </ul> <p>Satisfactory actions have been agreed for the 5 audit recommendations (4 Substantial and 1 Moderate) in the report to be implemented by 31 March 2023.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p><b>7. Finance and Corporate Services</b><br/> <b>- Accounts Payable</b><br/> Procure 2 Pay – Recurring Payments<br/> (Report 91)</p> | <p>This audit was requested by members of the former Standards and Audit Committee in light of an overpayment incident investigated in September 2019. The purpose of the review was to provide assurance on the current process for set up, payment and ending of recurring payments.</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>The following areas for improvement were identified:</p> <ul style="list-style-type: none"> <li>• The process in place for authorising Recurring Payment Spreadsheets which are received via email and instruct the set- up of recurring payments within Oracle is currently not reliably informed. More specifically, the Approvers Report, run from Oracle Cloud by Accounts Payable staff, lists Approvers with a zero-approval limit and Requestors who have no approval rights. This report is used by Accounts Payable staff when deciding whether a recurring payment request has been properly approved or not. In addition, if Recurring Payment spreadsheets are rejected from Oracle following automated verification checks and returned to the Service for amendment, Accounts Payable staff will accept the amended version from a Requestor as opposed to an Approver.</li> <li>• There is no reconciliation carried out to confirm that only authorised payments have been set up within Oracle and paid.</li> </ul> |

| SERVICE, REPORT AND PURPOSE                                                                                       | SUMMARY OF FIFE COUNCIL AUDIT REPORTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                   | <ul style="list-style-type: none"> <li>• Access to the recurring payment generic email address and / or Evohub email address is not revoked when a member of staff moves / leaves the Accounts Payable Transactions Team and / or BTS Strategic Platforms Team.</li> </ul> <p>Satisfactory actions have been agreed for the 3 audit recommendations (2 Substantial and 1 Moderate) in the report for completion by 30 September 2023.</p> <p>Until an automated, recurring payments upload and approval process is introduced, which is fully integrated with Oracle, the Service has advised that an interim control has been implemented - the Accounts Payable Lead Officer (who is independent to the recurring payments process) will check and annotate the original template submitted by the Service to the Accounts Payable Dashboard. All templates will be retained to allow for audit checking.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>8. Education and Children's Services</b><br/> <b>- Education</b><br/> Purchasing Cards<br/> (Report 92)</p> | <p>This audit reviews the controls in place for the administration and use of Council purchasing cards issued to Education staff within schools. The Pupil Support Service is excluded from the scope of this review.</p> <p><u>Audit Opinion:</u></p> <ul style="list-style-type: none"> <li>• Level of Assurance           Grade 3</li> <li>• System Materiality           Grade 3</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>• The procedures in schools are up to date and were last reviewed in March 2022, however they do not cover all relevant controls / processes, e.g., the use of PayPal, eBay accounts and Amazon subscriptions. Although they include examples of unauthorised spending categories, they do not specify what are eligible and ineligible purchases.</li> <li>• The First Contact / Assyst Flowchart for new purchasing card applications has not been reviewed since it was first compiled in August 2018.</li> <li>• From a sample of ten staff contacted as part of the audit fieldwork, six were unaware of the purchasing card procedures and have not acknowledged in writing their cardholder roles and responsibilities.</li> <li>• Unlike other amendments, change of bank statement address recorded in Assyst does not require management authorisation.</li> </ul> |

| SERVICE, REPORT AND PURPOSE | SUMMARY OF FIFE COUNCIL AUDIT REPORTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | <ul style="list-style-type: none"> <li>• Termination forms for cards no longer required were not available for eight of the nine cardholders examined.</li> <li>• Card purchases are not always appropriate, e.g., purchases have been made for personal items such as flowers, gifts, lunch on a school trip and in service day food. An electricity bill has been paid and IT software and equipment purchased which was not sourced through Business Technology Solutions (BTS).</li> <li>• School purchasing card details, including card numbers, have been saved to Personal PayPal and eBay accounts.</li> <li>• Corporate Procurement Team do not carry out checks on purchasing card activity, e.g., to ensure purchasing cards are not being used to purchase items that would be available via a contracted supplier.</li> <li>• The secondary school checked does not always maintain a purchasing card transaction log and retain receipts / invoices as required.</li> <li>• Monthly evidenced reconciliations are not always carried out and signed off i.e., authorised, by the Head of Establishment to confirm they agree with the reconciliation.</li> <li>• Purchasing cards have been used inappropriately to maintain a petty cash float.</li> <li>• Random evidenced spot checks are not carried out on a sample transaction basis by heads of establishment throughout the year.</li> <li>• Although the Admin Co-ordinator of the two primary schools spot checks transaction logs, this did not happen at the secondary school.</li> <li>• General ledger reports are not always produced to ensure all funds owed to the Council are repaid.</li> </ul> <p>Satisfactory actions have been agreed for the 11 audit recommendations (6 Substantial and 5 Moderate) in the report to be implemented by 30 April 2023.</p> |

2nd March, 2023

Agenda Item No. 7

---

## Internal Audit Plan Progress Report

---

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

---

**Wards Affected:** All

---

### Purpose

---

To submit to Members of the Standards, Audit and Risk Committee an update on the progress towards delivering the 2021/22 and 2022/23 Internal Audit Plans.

### Recommendation(s)

---

Members are asked to note the update on progress towards delivering the 2021/22 and 2022/23 Internal Audit Plans at Appendix B and Appendix A respectively. The appendices have been updated since the last report was presented to Committee on 31 October 2022 to show the movement in status for each assignment since that date.

### Resource Implications

---

None.

### Legal & Risk Implications

---

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

### Impact Assessment

---

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

---

None.

## 1.0 Internal Audit Plans – Progress Report

---

- 1.1 Standard 2060 of the PSIAS entitled Reporting to Senior Management and the Board states that “the chief audit executive must report periodically to senior management and the board on...performance relative to its plan” and that “reporting and communication to senior management and the board must include information about the audit plan and progress against the plan”. In addition, Standard 1110 of the PSIAS entitled Organisational Independence supports this requirement, stating that “examples of functional reporting to the board involve the board receiving communications from the chief audit executive on the internal audit activity’s performance relative to its plan”.
- 1.2 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 third report submitted to Committee during 2022/23 that provides a progress update against individual assignments contained within the 2021/22 Internal Audit Plan and the second progress report for the 2022/23 Internal Audit Plan. See Appendices A and B. The appendices have been updated since the last report was presented to Committee on 31 October 2022 to show the movement in status for each assignment since that date.
- 1.3 Since the 2022/23 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 continuing and it is likely that amendments to the plan will require to be made, with some assignments being carried forward into the 2023/24 Internal Audit Plan. Proposed amendments will be reported back to the Standards, Audit and Risk Committee for consideration in due course.
- 1.4 In relation to the 2022/23 Internal Audit Plan, 28 (70%) of the 40 individual assignments within it have progressed and are at various stages of the internal audit process, including 9 assignments where corresponding internal audit reports have been drafted or finalised. In addition, in relation to the 6 formal follow-ups in the 2022/23 Internal Audit Plan, 5 (83%) have commenced and are at various stages of the internal audit process. Final internal audit reports have been issued for all assignments in the revised 2021/22 Internal Audit Plan, with the exception of one assignment, which is at fieldwork stage. For further information in relation to progress towards delivering the 2022/23 and 2021/22 Internal Audit Plans and the individual assignments within them, see Appendix A and Appendix B respectively.

## 2.0 Conclusions

---

- 2.1 Updates towards delivering the one outstanding assignment in the 2021/22 Internal Audit Plan will continue to be submitted to the Standards, Audit and Risk Committee until its completion, along with updates towards delivering the 2022/23 Internal Audit Plan.

## List of Appendices

---

- A. 2022/23 Internal Audit Plan – Progress Report
- B. 2021/22 Internal Audit Plan – Progress Report

Report Contact:

Carolyn Ward

Audit Team Manager, Audit and Risk Management Services

Email – [carolyn.ward@fife.gov.uk](mailto:carolyn.ward@fife.gov.uk)

## 2022/23 Internal Audit Plan – Progress Report

| Not Yet Commenced                                 | Planning                                                                                                                                                                                                                                                                                                  | Fieldwork         | Reviewing | Draft Report Issued | Complete / S,A&R Committee Date |                 |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------|---------------------|---------------------------------|-----------------|
| 2022/23 INTERNAL AUDIT PLAN                       |                                                                                                                                                                                                                                                                                                           | Proposed Coverage |           |                     | Status 31/10/22                 | Status 02/03/23 |
| <b>Governance Reviews</b>                         |                                                                                                                                                                                                                                                                                                           |                   |           |                     |                                 |                 |
| 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.                                                                                                                                                 |                   |           | Not Yet Commenced   | Planning                        |                 |
| Corporate Governance & Best Value (Service Level) | Review Service arrangements for meeting Best Value obligations, including Management Structure, Scheme of Delegation, Planning & Performance Reporting, managing to Fife Excellence Model (FEM) and providing annual assurance.                                                                           |                   |           | Planning            | Planning                        |                 |
| 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.                                                                                                          |                   |           | Not Yet Commenced   | Planning                        |                 |
| Oversight of 'Trust' Companies (ALEOs)            | Service oversight of arm's length 'trust' companies, including contractual and governance arrangements, agreed objectives, and performance management and reporting mechanisms.                                                                                                                           |                   |           | Fieldwork           | Draft Report Issued             |                 |
| 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.                                                                                                                            |                   |           | Not Yet Commenced   | Not Yet Commenced               |                 |
| 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                                                                                                                                          |                   |           | Not Yet Commenced   | Not Yet Commenced               |                 |
| 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.                                                                                                            |                   |           | Not Yet Commenced   | Not Yet Commenced               |                 |
| Media Relations                                   | Review of the arrangements in place within the Communications Service to manage and monitor media relations on behalf of the Council, including strategy, performance management and reporting.                                                                                                           |                   |           | Not Yet Commenced   | Planning                        |                 |
| <b>ICT Reviews</b>                                |                                                                                                                                                                                                                                                                                                           |                   |           |                     |                                 |                 |
| Compliance with Information Security Policies     | Review of Services' compliance with information security policies.                                                                                                                                                                                                                                        |                   |           | Reviewing           | 02/03/23                        |                 |
| Payment Strategy / Income Collection / PCI DSS    | <p>Ensuring Payment Strategy is working, income from all sources is being correctly accounted for and compliance with Payment Card Industry Data Security Standard (PCI DSS).</p> <ul style="list-style-type: none"> <li>The scope of this review is the new cash receipting system, Adelante.</li> </ul> |                   |           | Not Yet Commenced   | Not Yet Commenced               |                 |



| 2022/23 INTERNAL AUDIT PLAN<br>(Cont'd) | Proposed Coverage                                                                                                                                                                                    | Status<br>31/10/22 | Status<br>02/03/23  |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------------|
| <b>ICT Reviews (cont'd)</b>             |                                                                                                                                                                                                      |                    |                     |
| Liquidlogic                             | Review to assess the effectiveness of the deployment of the new children and adults case management system procured by the Council.                                                                  | Not Yet Commenced  | Not Yet Commenced   |
| <b>Systems Reviews</b>                  |                                                                                                                                                                                                      |                    |                     |
| Asset Management                        | Service level needs assessment, recording, maintenance and utilisation of assets, including housing stock, property, vehicles, equipment and IT.<br>• The scope of this review is Education laptops. | Reviewing          | 02/03/23            |
| Stock Control - Facilities              | Review of the working practices and procedures in place for stock control within Facilities Management, with a view to identifying potential efficiencies and other improvement opportunities.       | Not Yet Commenced  | Fieldwork           |
| Care in the Home                        | Contracts with, and payments to, Care providers for clients' care in the home.                                                                                                                       | Planning           | Planning            |
| Community Equipment Store               | Review of the arrangements in place at the community equipment store, against recognised good practice, to help support delivery of an efficient and effective community equipment service.          | Not Yet Commenced  | Fieldwork           |
| Safeguarding                            | Review of the arrangements in place to ensure the protection of vulnerable groups during the Council's selection and appointments process in line with relevant national policy and guidance.        | Planning           | Draft Report Issued |
| Scottish Welfare Fund                   | Review of the arrangements in place to manage the Scottish Welfare Fund Crisis Grants, Community Care Grants and Self-isolation Support Grants in line with Scottish Government guidance.            | Fieldwork          | 02/03/23            |
| Gas Safety                              | High level review of the adequacy of the systems in place within Housing to ensure that it can meet its statutory obligations in respect of gas safety checks.                                       | Fieldwork          | Draft Report Issued |
| Homelessness                            | Review of the adequacy of the systems in place within Housing to ensure that it meets its statutory obligations in respect of homelessness and recording of associated outcomes.                     | Planning           | Planning            |
| Pool Cars                               | Review of pool car usage within Enterprise and Environment from a reform and climate change perspective.                                                                                             | Planning           | 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   |
| Lone Working                            | Assessment and deployment of the working practices and procedures in place to help ensure a safe working environment for employees through the provision of lone working fobs.                       | Not Yet Commenced  | Planning            |

| 2022/23 INTERNAL AUDIT PLAN<br>(cont'd)                 | Proposed Coverage                                                                                                                                                                                        | Status<br>31/10/22 | Status<br>02/03/23          |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------------------|
| <b>Systems Review (cont'd)</b>                          |                                                                                                                                                                                                          |                    |                             |
| Leavers Process                                         | Review to assess the adequacy of the processes and procedures in place surrounding the notification and processing of leavers.                                                                           | Not Yet Commenced  | Not Yet Commenced           |
| Transition Arrangements                                 | Review of the arrangements in place to support efficient and effective transitioning of service users from children and families to adult services.                                                      | Not Yet Commenced  | Not Yet Commenced           |
| Operator Licensing                                      | Review of the arrangements in place within Environment and Building Services to ensure compliance with the legislative and regulatory goods vehicle operator licensing provisions.                       | Not Yet Commenced  | Planning                    |
| Works Orders                                            | Review of the works orders process operating within Environment and Building Services for the commissioning of grounds maintenance services.                                                             | Not Yet Commenced  | Not Yet Commenced           |
| Vacant Properties                                       | Review of the arrangements in place to ensure the effective ongoing protection of vacant Council buildings, including inspection regime and the identification / implementation of physical protections. | Fieldwork          | 02/03/23                    |
| <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.                                                 | Not Yet Commenced  | Not Yet Commenced           |
| Purchase Ordering                                       | Review of the requisition, approval and ordering arrangements in place within Oracle for non-contract spend below £5,000.                                                                                | Not Yet Commenced  | Planning                    |
| <b>Financial Reviews</b>                                |                                                                                                                                                                                                          |                    |                             |
| Teachers Payroll                                        | Review of the control framework in place to ensure ongoing accuracy of the Teachers payroll, including arrangements for confirming active employees, rates of pay, variations and deductions.            | Planning           | To be presented<br>25/05/23 |
| 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.                                                                    | Not Yet Commenced  | Not Yet Commenced           |
| Arrangements for Cash Handling and Security (Education) | Focus on cash handling and security.                                                                                                                                                                     | Not Yet Commenced  | Not Yet Commenced           |
| Council Tax                                             | Review of the arrangements in place within the Council to administer and monitor entitlements for Council Tax Reduction.                                                                                 | Planning           | Reviewing                   |
| Capital Plan                                            | To assess the monitoring and reporting arrangements in place at both a corporate and service level for the capital programme of works contained within the Capital Plan.                                 | Not Yet Commenced  | Fieldwork                   |

| 2022/23 INTERNAL AUDIT PLAN<br>(cont'd)                                                                  | Proposed Coverage                                                                                                                                                                                   | Status<br>31/10/22 | Status<br>02/03/23 |
|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Financial Reviews (cont'd)</b>                                                                        |                                                                                                                                                                                                     |                    |                    |
| Stocks and Inventories                                                                                   | Review of arrangements in place to ensure that procedures and processes are in line with Council guidance and records are complete and accurate.                                                    | Planning           | Planning           |
| Financial Assessments                                                                                    | End-to-end review of the financial assessments process in place to calculate contribution levels for long term care residents.                                                                      | Not Yet Commenced  | Planning           |
| Tell Us Once                                                                                             | Review of the processes, procedures and effectiveness of the national Tell Us Once service as it is operating within Fife Council.                                                                  | Planning           | 02/03/23           |
| <b>Audits for External Organisations</b>                                                                 |                                                                                                                                                                                                     |                    |                    |
| FSLT - Income Collection                                                                                 | Review at FSLT to check that all income collected via cash collection at establishments and by electronic means, e.g., through direct debits and web payments, is accounted for.                    | Not Yet Commenced  | Planning           |
| FSLT - Imprests and Cash                                                                                 | Review at FSLT of the arrangements in place to ensure the security of imprests and cash floats.                                                                                                     | Not Yet Commenced  | Planning           |
| CIRECO – Data Protection                                                                                 | High level review of the arrangements in place to ensure its statutory duties surrounding Data Protection and GDPR are effectively discharged.                                                      | Not Yet Commenced  | Fieldwork          |
| <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. | Ongoing            | Ongoing            |
| 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. 46 - Information Governance</li> </ul>                                                                                             | Reviewing          | Reviewing          |
|                                                                                                          | <ul style="list-style-type: none"> <li>Internal Audit Report No. 57 - Employability, Matrix Fife</li> </ul>                                                                                         | Planning           | Fieldwork          |
|                                                                                                          | <ul style="list-style-type: none"> <li>Internal Audit Report No. 58 - Performance Management</li> </ul>                                                                                             | Not Yet Commenced  | Fieldwork          |
|                                                                                                          | <ul style="list-style-type: none"> <li>Internal Audit Report No. 62 - Asset Management, Land and Buildings</li> </ul>                                                                               | Not Yet Commenced  | Not Yet Commenced  |
|                                                                                                          | <ul style="list-style-type: none"> <li>Internal Audit Report No. 71 - Risk Management &amp; Business Continuity</li> </ul>                                                                          | Planning           | Planning           |
| <ul style="list-style-type: none"> <li>Internal Audit Report No. 75 - Common Good Fund Grants</li> </ul> | Not Yet Commenced                                                                                                                                                                                   | Fieldwork          |                    |

| 2022/23 INTERNAL AUDIT PLAN<br>(cont'd) | Proposed Coverage                                                                                                                                                                                     | Status<br>31/10/22 | Status<br>02/03/23 |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Contingency (cont'd)</b>             |                                                                                                                                                                                                       |                    |                    |
| 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  | Fieldwork          |
| PSIAS Self-assessment                   | To ensure conformance with the PSIAS, conduct a self-assessment of the Council's Internal Audit Service against the PSIAS utilising the revised external quality assessment framework.                | Ongoing            | Reviewing          |
| 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. | Not Yet Commenced  | Planning           |
| Specific Investigations                 | To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.                                                                       | Ongoing            | Ongoing            |

## 2021/22 Internal Audit Plan – Progress Report

| Not Yet Commenced                                          | Planning                                                                                                                                                                                                                                            | Fieldwork         | Reviewing | Draft Report Issued | Complete / S,A&R Committee Date |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------|---------------------|---------------------------------|
| 2021/22 INTERNAL AUDIT PLAN                                |                                                                                                                                                                                                                                                     | Proposed Coverage |           | Status 31/10/22     | Status 02/03/23                 |
| <b>Governance Reviews</b>                                  |                                                                                                                                                                                                                                                     |                   |           |                     |                                 |
| Emergency Resilience                                       | Review the compilation and maintenance of the Council's plans for saving lives and property in the event of a major incident.                                                                                                                       |                   |           | 19/04/22            | 19/04/22                        |
| Complaints Procedure                                       | That the Council's complaints procedures are being followed and are resolving customers' complaints, and that the information is used to improve services.                                                                                          |                   |           | 19/04/22            | 19/04/22                        |
| <b>Members</b>                                             |                                                                                                                                                                                                                                                     |                   |           |                     |                                 |
| Electoral Registration                                     | To ensure that the Council's Electoral Register is accurate and complete.                                                                                                                                                                           |                   |           | 19/04/22            | 19/04/22                        |
| <b>Main Systems</b>                                        |                                                                                                                                                                                                                                                     |                   |           |                     |                                 |
| Procure to Pay (P2P)                                       | Controls over ordering, receipting and suppliers' payments through Oracle, including maintenance of the list of suppliers and cheque / BACS runs. <ul style="list-style-type: none"> <li>The scope of this review is recurring payments.</li> </ul> |                   |           | Reviewing           | 02/03/23                        |
| Payroll and Expenses – Central Processing                  | Central processing of payroll, i.e., gross to net, and payment of approved expenses. Over a 5-year period, cover all elements including standing data, statutory and non-statutory deductions and verification.                                     |                   |           | 30/06/22            | 30/06/22                        |
| Payroll and Expenses (Service Level – Children's Services) | Processing of payroll up to gross, including checking and authorisation of expenses.                                                                                                                                                                |                   |           | 31/10/22            | 31/10/22                        |
| <b>Subsidiary Systems</b>                                  |                                                                                                                                                                                                                                                     |                   |           |                     |                                 |
| Bank and Suspense Accounts Reconciliations                 | Reconciliation of the Council's main bank accounts and related suspense accounts, including the General Fund. <ul style="list-style-type: none"> <li>The scope of this review is payroll reconciliations.</li> </ul>                                |                   |           | Reviewing           | 02/03/23                        |

| 2022/23 INTERNAL AUDIT PLAN<br>(cont'd)          | Proposed Coverage                                                                                                                                                                                                                                                                                                                                                                                                                             | Status<br>31/10/22   | Status<br>02/03/23   |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Staffing</b>                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                      |                      |
| Human Resources                                  | <p>To review the recruitment process and the role of HR Direct / Recruitment Portal, PVG / disclosure checks, that there are proper procedures in place covering the role of HR Direct / Recruitment Portal, Recruitment, Code of Conduct, PVG / Disclosure Checks, Contribution Management and training.</p> <ul style="list-style-type: none"> <li>• Education &amp; Children's Services</li> <li>• Enterprise &amp; Environment</li> </ul> | 07/10/21<br>16/12/21 | 07/10/21<br>16/12/21 |
| <b>Purchases</b>                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                      |                      |
| Social Housing Agreements                        | To ensure that agreements with other social housing organisations in Fife are appropriate and operating effectively.                                                                                                                                                                                                                                                                                                                          | 30/06/22             | 30/06/22             |
| Repairs and Maintenance                          | Maintenance of the Council's administration buildings and council houses.                                                                                                                                                                                                                                                                                                                                                                     | Planning             | Fieldwork            |
| Climate Change and Energy Management             | Management of the purchases of energy and the monitoring and reduction of its use across the Council. Review processes for achieving outcomes on Climate Change.                                                                                                                                                                                                                                                                              | 31/10/22             | 31/10/22             |
| <b>Health and Social Care</b>                    |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                      |                      |
| Direct Payment to Clients and Support for Carers | Management of direct payments to clients for care (Self Directed Support).                                                                                                                                                                                                                                                                                                                                                                    | 30/06/22             | 30/06/22             |
| <b>Other Audits</b>                              |                                                                                                                                                                                                                                                                                                                                                                                                                                               |                      |                      |
| Common Good and Trust Funds                      | Management and security of the common good fund for which the Council is responsible.                                                                                                                                                                                                                                                                                                                                                         | 19/04/22             | 19/04/22             |
| Social Media Investigation & Research            | Compliance with legislation in relation to the Council's use of social media. This covers the social media policy, checking compliance and authorisation for investigations and confirming the privacy impact assessment is completed.                                                                                                                                                                                                        | 19/04/22             | 19/04/22             |

| 2021/22 INTERNAL AUDIT PLAN<br>(cont'd)                                                                                                                                                                 | Proposed Coverage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Status<br>31/10/22   | Status<br>02/03/23   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Information Technology Audits</b>                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| Management of IT Operations, Knowledge & Quality                                                                                                                                                        | Review of the co-ordination and execution of activities and operational procedures required to deliver internal and outsourced IT services, including the execution of pre-defined operating procedures and required monitoring activities. Review whether there are quality requirements for all, processes, procedures and related enterprise outcomes, and whether knowledge is provided to support all staff in their work activities.<br><ul style="list-style-type: none"><li>The scope of this review is Civica Cx.</li></ul> | 30/06/22             | 30/06/22             |
| <b>Mini Audits</b>                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| Financial Check - Health and Social Care                                                                                                                                                                | IJB and Health & Social Care establishment(s) to undertake a financial check.                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Advice & Guidance    | Advice & Guidance    |
| <b>Continuous Auditing / Grants</b>                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| Monthly stock checks                                                                                                                                                                                    | Monthly stock checks to be carried out.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                      |                      |
| External Grants Received (including EU) process                                                                                                                                                         | To review the Council's processes for identifying, claiming and recording external grants including compliance with conditions.                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| Audit Certification* - Fitzgerald Trust, Grants, City Deals, INTERREG, Fife Education Trust Accounts, Clipper, Mutual Work - Clackmannanshire etc.<br><br>* Note – there is not always a formal output. | Certifying accounts and grant claims as necessary, including:<br><ul style="list-style-type: none"><li>LEADER in Fife Programme</li><li>Bus Service Operators' Grant</li></ul>                                                                                                                                                                                                                                                                                                                                                       | 16/12/21<br>07/10/21 | 16/12/21<br>07/10/21 |
| <b>Post Audit Review and Follow Up</b>                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| PAR Reviews                                                                                                                                                                                             | Issue and review of PAR action plans for all audits to check on implementation of agreed recommendations.                                                                                                                                                                                                                                                                                                                                                                                                                            | 19/04/22             | 19/04/22             |
| Follow-up(s)                                                                                                                                                                                            | Specific review undertaken by internal audit to provide formal assurances to management and Elected Members that recommendations previously agreed have been implemented.<br><ul style="list-style-type: none"><li>Internal Audit Report No. 6 – BTS Change Management</li></ul>                                                                                                                                                                                                                                                     | 07/10/21             | 07/10/21             |

| 2021/22 INTERNAL AUDIT PLAN<br>(cont'd)         | Proposed Coverage                                                                                                                                                                                                                                                                                                                                                                                    | Status<br>31/10/22   | Status<br>02/03/23   |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Planned Consultancy</b>                      |                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| Data Matching                                   | Matching Council Tax and rent arrears and Council payrolls.                                                                                                                                                                                                                                                                                                                                          |                      |                      |
| <b>Non-Fife Council Internal Audits</b>         |                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| Fife Sports and Leisure Trust                   | Income, Expenditure, Fees and charges, HR, Purchasing, Health and Safety, Treasury Management, Revenue Budget Setting and Monitoring. <ul style="list-style-type: none"> <li>• Recruitment and Training</li> <li>• Payroll</li> </ul>                                                                                                                                                                | 30/06/22<br>30/06/22 | 30/06/22<br>30/06/22 |
| <b>Carry Forwards from 2020/21</b>              |                                                                                                                                                                                                                                                                                                                                                                                                      |                      |                      |
| Risk Management & Business Continuity (Housing) | Examine the arrangements in Services for managing risk and review the compilation and maintenance of Services' contingency plans for continuing to provide services in the event of incidents that are liable to disrupt its services.                                                                                                                                                               | 16/12/21             | 16/12/21             |
| Management of Information (Adult Services)      | Ensure Services are taking necessary action to apply the Data Protection and Freedom of Information Acts, records Management and deal with information generally, including ICT Policies.                                                                                                                                                                                                            | 07/10/21             | 07/10/21             |
| Non-Domestic Rates                              | Income from the Council's Non-Domestic Rates Tax base, including billing, collection and recovery.                                                                                                                                                                                                                                                                                                   | 07/10/21             | 07/10/21             |
| Asset Management                                | Corporate recording and utilisation of the Council's properties, including comparison with the Insurance Register.                                                                                                                                                                                                                                                                                   | 07/10/21             | 07/10/21             |
| Capital Expenditure                             | Management of major capital expenditure projects, e.g., Schools Estate, tendering, build, including PPP or similar schemes. Specification and awarding of tenders and monitoring of contract progress including Construction Industry Scheme (CIS), guarantees, etc. Applies to capital contracts. As part of The Affordable Housing Programme, the Private Sector Workstream is included from 2016. | 07/10/21             | 07/10/21             |
| Fleet Management                                | Management of the Council's vehicles, including purchase, sales, security, assessment of number needed, green policy and usage of vehicle fuel bought by the Council.                                                                                                                                                                                                                                | 16/12/21             | 16/12/21             |



| 2021/22 INTERNAL AUDIT PLAN<br>(cont'd)                                          | Proposed Coverage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Status<br>31/10/22 | Status<br>02/03/23 |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Management of Contracts                                                          | Review the arrangements in place for monitoring a contract after it has been awarded and is in place. This applies to revenue contracts. When auditing IT related contracts, refer to COBIT APO10. <ul style="list-style-type: none"> <li>Street Lighting Installations</li> </ul>                                                                                                                                                                                                                        | 19/04/22           | 19/04/22           |
| Resource Transfers                                                               | Payments from the NHS for transfers of people into Council care. Including all transfers, not only those specifically called resource transfers.                                                                                                                                                                                                                                                                                                                                                          | 16/12/21           | 16/12/21           |
| Clients' Funds                                                                   | Management and security of funds / assets held on behalf of clients, i.e., people in care and the assets of deceased persons.                                                                                                                                                                                                                                                                                                                                                                             | 19/04/22           | 19/04/22           |
| Management of Portfolio, Programmes and Projects (COBIT 5 APO05, BAI01 & BAI05)  | Review how Business Technology Solutions optimises the portfolio of programmes in response to programme and service performance & changing Council priorities, including managing organisational change enablement. (Note assessing mechanisms for ensuring IT enabled programmes and projects are managed effectively and in accordance with Council Project Management Framework is covered under Management of Projects). <ul style="list-style-type: none"> <li>BTS Management of Projects</li> </ul> | 19/04/22           | 19/04/22           |
| Management of Availability, Capacity & Continuity (COBIT 5 EDM04, BAI04 & DSS04) | Review how BTS ensures that adequate and sufficient IT related capabilities are available to support objectives effectively. It also covers maintenance of service availability, efficient management of resources, and optimisation of system performance, continuation critical Council operations and maintains availability of information in the event of a significant disruption. <ul style="list-style-type: none"> <li>The scope of this review is Disaster Recovery.</li> </ul>                 | 30/06/22           | 30/06/22           |
| Management of IT Security (COBIT APO13 & DSS05)                                  | Review the information security policies and arrangements in place for information security management, i.e., protection against malware, network and connectivity security, endpoint security, user identity and logical access, physical access to IT assets, management of sensitive documents and output devices and monitoring of the infrastructure for security related events (including cyber).                                                                                                  | 16/12/21           | 16/12/21           |
| Purchasing Cards                                                                 | A review of purchasing cards in Education.                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Reviewing          | 02/03/23           |
| COBIT 5 Capability Assessment                                                    | Provision of assurance on outcomes of BTS' COBIT 5 Capability Model Assessment.                                                                                                                                                                                                                                                                                                                                                                                                                           | 30/06/22           | 30/06/22           |

2nd March, 2023

Agenda Item No. 8

---

## **Fife Integration Joint Board (IJB) 2022/23 Annual Internal Audit Plan**

---

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

---

**Wards Affected:** All

---

### **Purpose**

---

To submit to Members of the Standards, Audit and Risk Committee a copy of Fife IJB's 2022/23 Annual Internal Audit Plan.

### **Recommendation(s)**

---

Members are asked to note the contents of the Fife IJB 2022/23 Annual Internal Audit Plan at Appendix 1 and identify any individual audits it wishes to receive assurance from.

### **Resource Implications**

---

None.

### **Legal & Risk Implications**

---

Without proper corporate governance, risk management and internal controls in place, the risk increases that the IJB, and its Health and Social Care Partnership, will not achieve its objectives and may suffer financial loss and / or reputational damage. Obtaining independent assurances around the IJB's framework of governance, risk management and control through delivery of the Internal Audit Plan are of fundamental importance to the Council.

### **Impact Assessment**

---

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

### **Consultation**

---

No consultation required.

## 1.0 Background

---

- 1.1 The Integrated Resources Advisory Group guidance states that it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. This responsibility includes determining who will provide the internal audit service for the IJB and nominating a Chief Internal Auditor.
- 1.2 The IJB formally took over operational responsibility of the delegated functions with effect from 1 April 2016. As detailed in the Chief Internal Auditor's Annual Internal Audit Report for 2021/22 for the Fife IJB, Fife, Tayside and Forth Valley Audit and Management Services (FTF) was appointed as the Internal Auditors for Fife IJB for financial year 2021/22 onwards, including the role of Chief Internal Auditor. Prior to that, Fife Council's Audit Services provided those services.
- 1.3 The Internal Audit Output Sharing Protocol sets out principles in relation to the sharing of key internal audit outputs between the IJB, Fife Council and NHS Fife, including Internal Audit plans and annual reports. In the context of Fife Council and in relation to Internal Audit plans specifically, the Internal Audit Output Sharing Protocol requires the IJB's Annual Internal Audit Plan to be presented to Fife Council's Standards, Audit and Risk Committee for noting, to allow identification of any relevant audits which it may wish to receive assurance from.
- 1.4 The Fife IJB's 2022/23 Annual Internal Audit Plan was approved by the IJB's Audit and Assurance Committee at its meeting on 19 January 2023.

## 2.0 Conclusions

---

- 2.1 As detailed in the Chief Internal Auditor's 2021/22 Annual Internal Audit Report for the Fife IJB, FTF was appointed as the Internal Auditors for financial year 2021/22 onwards, including the role of Chief Internal Auditor. Prior to that, Fife Council's Audit Services provided those services.
- 2.2 The Internal Audit Output Sharing Protocol requires the IJB's Annual Internal Audit Plan to be presented to Fife Council's Standards, Audit and Risk Committee for noting, to allow identification of any relevant audits which it may wish to receive assurance from.

### List of Appendices

---

1. HSCP Audit and Assurance Committee Report 19.01.23 and Fife IJB's 2022/23 Annual Internal Audit Plan

Report Contact:

Pamela Redpath

Service Manager – Audit & Risk Management Services

Email – [Pamela.Redpath@fife.gov.uk](mailto:Pamela.Redpath@fife.gov.uk)



|                             |                                                     |
|-----------------------------|-----------------------------------------------------|
| <b>Meeting Title:</b>       | <b>Audit &amp; Assurance Committee</b>              |
| <b>Meeting Date:</b>        | <b>19/01/2023</b>                                   |
| <b>Agenda Item No:</b>      | <b>5</b>                                            |
| <b>Report Title:</b>        | <b>Internal Audit (IA) Operational Plan 2022-23</b> |
| <b>Responsible Officer:</b> | <b>Nicky Connor, Director of HSCP</b>               |
| <b>Report Author:</b>       | <b>Tony Gaskin, Chief Internal Auditor</b>          |

## 1 Purpose

The aim of this paper is to consider and seek approval for:

- Draft Annual Internal Audit Plan for Fife IJB 2022-23

**This Report is presented to the Committee for:**

- Assurance
- Decision

**This Report relates to which of the following National Health and Wellbeing Outcomes:**

- 9 Resources are used effectively and efficiently in the provision of health and social care services.

**This Report Aligns to which of the Integration Joint Board 5 Key Priorities:**

- Working with communities, partners and our workforce to effectively transform, integrate and improve our services.
- Managing resources effectively while delivering quality outcomes.

## 2 Route to the Meeting

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report:

- SLT (Business) – Considered at the 5 of September 2022 meeting.
- The draft Fife IJB Audit Plan 2022/23 and Internal Audit Joint Working and Reporting Protocol have been discussed with the Service Manager of Audit and Risk Management Services, Fife Council.

## Route Following the Meeting

Please provide details of where report will go once discussed at this meeting e.g. SLT Formal (Assurance/Business/Strategic); Governance Committee (specify which); Integration Joint Board – or Not Applicable if dealt with at this meeting.

|                                 |   |
|---------------------------------|---|
| SLT Assurance                   |   |
| SLT Business                    | ✓ |
| SLT Strategic                   |   |
| Audit & Assurance               | ✓ |
| Finance, Performance & Scrutiny |   |
| Quality & Communities           |   |
| Integration Joint Board         |   |
| Not Applicable                  |   |

### 3 Report Summary

#### 3.1 Situation

Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to produce a risk based plan, which takes into account Fife IJB's risk management framework, strategic objectives and priorities, and the views of senior managers, Standing Committee lead officers, and the Audit & Assurance Committee Chair and members.

This draft Internal Audit Operational Plan 2022/23 has been mapped to the IJB's current Strategic Risk Register, also taking into account issues identified in recent Internal Audit reports. However, the risk profile is still emergent and there is no benefit from attempting to compile a full Strategic Audit Plan at this stage.

During 2022/23 we will actively reflect on the operational plan in place to ensure it continues to meet the needs of the service, reflects the current risk profile and incorporates the outputs from the ongoing assurance mapping work. This plan is subject to the ongoing discussion with Fife Council Internal Audit regarding audit day input. Any consequent changes to the plan will be reported to the Audit & Assurance Committee for approval, with any urgent changes discussed with the Audit & Assurance Committee Chair.

#### 3.2 Background

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.”*

Public Sector Internal Audit Standards (PSIAS) – Section 3, Definition of Internal Auditing.

The Operational Plan 2022/23 has been developed in accordance with Public Sector Internal Audit Standard 2010 – Planning, to enable the Chief Internal Auditor to meet the following key objectives:

- The need to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals;
- Provision to the Accountable Officer of an overall independent and objective annual opinion on the organisation's governance, risk management, and control, which will in turn support the preparation of the Annual Governance Statement;
- Audits of the organisation's governance, risk management, and control arrangements which afford suitable priority to the organisation's objectives and risks;
- Improvement of the organisation's governance, risk management, and control arrangements by providing line management with recommendations arising from audit work;

Effective co-operation with external auditors and other review bodies functioning in the organisation. The internal audit service will be delivered in accordance with the Internal Audit Charter (see below).

Our Internal Audit Plan is designed to provide Fife IJB, through the Audit & Assurance Committee, with the assurance it needs to prepare an annual Governance Statement that complies with best practice in corporate governance. We also support the continuous improvement of governance, risk management and internal control processes by using a systematic and disciplined evaluation approach. The objective of audit planning is to direct audit resources in the most efficient manner to provide sufficient assurance that key risks are being managed effectively.

### **Other stakeholders**

There is congruence between IJB internal audit plan and those of its partners. There is a sharing protocol that allows for Health Board and Council Internal Audit Plans to be shared with the IJB and vice-versa and therefore extracts of the Partner plans are included within Appendix 1 and have been discussed with the Fife Council Internal Audit Service.

### **Audit Charter**

PSIAS requires the IJB to approve an Audit Charter that sets out the powers of Internal Audit and the way it works with the IJB and particularly the Audit and Assurance Committee. The Internal Audit Charter 2022-23 was approved at the 9 November 2022 Audit & Assurance Committee.

### **Internal Audit Joint Working and Reporting Protocol**

The protocol sets out how Internal Audit will conduct their work during the year including planning, conducting and reporting on audit assignments. In order that all parts of the system receive appropriate information on the adequacy and effectiveness of internal control within their purview, including controls operated by other bodies which impact on their control environment, this protocol also covers the need to share internal audit outputs beyond the organisation that commissioned the work. Following consideration at the March 2022 Audit and Risk Committee it was

discussed with the NHS Fife Director of Finance & Strategy and approved by the NHS Fife Audit and Risk Committee.

It has also been discussed with the Fife Council Service Manager – Audit & Risk Management, although as there is, as yet, no clarity around Internal Audit contribution by Fife Council in future years, the document has not yet been agreed or presented to the Fife Council's Standards, Audit and Risk Committee. However, Fife Council plans and report summaries will still be shared under the arrangements set out in the previous protocol.

### **3.3 Assessment**

#### **Standard Process**

Our Strategic Internal Audit planning process is normally structured around an audit universe based on a 5 year cycle which links to the Strategic Risk Register and objectives, also taking into account Internal Audit assurance work undertaken at the partner bodies.

The process overtly demonstrates cyclical coverage of all corporate risks and is designed to allow greater potential for Senior HSCP officers and the Audit & Assurance Committee to contribute their views on areas for inclusion. The resultant operational plan is, again overtly linked to the Strategic risks, which will still be the focus of our work, together with any key governance or assurance elements required in order to provide a view on the overall adequacy and effectiveness of internal controls.

If required further background information can be provided on the standard process, which will commence for 2023 onwards when the organisation will have a new overarching Strategic Plan.

#### **Current Year Process – 2022/23**

Due to the significant and post impact of Covid-19 on the risk profile of the organisation, a planning process which relied on a relatively static risk environment and change generally occurring in the medium to long term was no longer viable. As such, our view is very much that the plan will need to be flexible, responsive to the requirements of Senior Management and Non Executive Directors and, to a certain extent, emergent as the risk profile changes and new information becomes available.

We have placed a greater emphasis on the organisation's current rather than cyclical needs, focusing on emergent risks and those with most immediacy, as the basis for a first draft plan which we will adapt to the views of the Audit & Assurance Committee. However, we know that the organisational risk profile is changing rapidly, as is organisational understanding of those risks and we will continuously review the plan and update as required, with approval sought from the Audit & Assurance Committee for any changes required.

The draft plan included coverage of two key risks: Risk 7 Workforce and Risk 21 Contractual and Market Capacity where a self-assessment questionnaire, will be completed by Senior Management and reviewed by Internal Audit to provide assurance in this area. The Workforce review will now be delivered entirely by the NHS Fife Internal Audit team, based around the Fife IJB Workforce Plan approved on 25 November 2022 and related assurances noting that improvements in Fife

Council Workforce planning were already highlighted within its Governance Statement. NHS Fife have provided additional days for this purpose.

### **3.3.1 Quality / Customer Care**

Both FTF Internal Audit (NHS Fife) and Fife Council Audit Services have evidenced compliance with the Public Sector Internal Auditing Standards (PSIAS).

### **3.3.2 Workforce**

As noted above, no contribution has been received from Fife Council and therefore additional days are being provided by the NHS Fife team.

### **3.3.3 Financial**

There are currently no financial impacts arising from this report.

### **3.3.4 Risk / Legal / Management**

Failure to plan and deliver appropriate Internal Audit cover would impair the Chief Internal Auditor's ability to provide a formal opinion at year end which would further impact on the IJB's Governance Statement at year end. Delivery of this plan will allow the Chief Internal Auditor to conclude on, the 2022/23 Governance Statement and on the adequacy and effectiveness of Internal Controls.

### **3.3.5 Equality and Diversity, including Health Inequalities**

An Equality Impact Assessment (EQIA) has not been completed and is not necessary, as there are no EQIA implications arising directly from this report.

### **3.3.6 Environmental / Climate Change**

There are no environmental or climate change implications arising directly from this report.

[ClimateActionPlan2020\\_summary.pdf \(fife.gov.uk\)](#)

### **3.3.7 Other Impact**

There are no other impacts arising directly from this report.

### **3.3.8 Communication, Involvement, Engagement and Consultation**

This has been previously considered by the Chief Finance Officer.

## **4 Recommendation**

The Audit & Assurance Committee is asked to:

- **Approve** the Annual Internal Audit Plan 2022/23, noting that an arrangement has been reached to provide assurance on Contract / Market Capacity and related on Strategic risk 21. Any changes to the IJB Risk Profile resulting in further amendments to the plan would be brought back to this Committee for approval.



## 5 List of Appendices

The following appendices are included with this report:

- Appendix 1 – Draft Annual Internal Audit Plan for Fife IJB 2022-23

## 6 Implications for Fife Council

Under the information sharing protocol, finalised audit reports will be provided to the Fife Council Standards, Audit & Risk Committee for information in summary form. Fife Council relies on assurances from the IJB ARC at year end.

## 7 Implications for NHS Fife

Under the information sharing protocol, finalised audit reports will be provided to the NHS Fife Audit and Risk Committee for information in summary form. NHS Fife relies on assurances from the IJB Audit & Assurance Committee.

## 8 Implications for Third Sector

Not applicable

## 9 Implications for Independent Sector

Not applicable

## 10 Directions Required to Fife Council, NHS Fife or Both (must be completed)

| Direction To: |                         |   |
|---------------|-------------------------|---|
| 1             | No Direction Required   | x |
| 2             | Fife Council            |   |
| 3             | NHS Fife                |   |
| 4             | Fife Council & NHS Fife |   |

## 11 To Be Completed by SLT Member Only (must be completed)

|           |  |
|-----------|--|
| Lead      |  |
| Critical  |  |
| Signed Up |  |
| Informed  |  |

### Report Contact

Author Name: Tony Gaskin,

Author Job Title: Chief Internal Auditor

E-Mail Address: [tony.gaskin@fife.nhs.scot](mailto:tony.gaskin@fife.nhs.scot)

| Ref    | Audit                                    | Indicative Scope                                                                                                                                                                                                                                                                                                                                                                                                                                       | Days | Rationale/Link to SRR                                                                                                                                                                                                            | Target Audit & Assurance Committee |
|--------|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| F01-23 | Audit Planning<br>Audit Management       | Agreeing audit universe and preparation of strategic plan.<br>Liaison with management and attendance at Audit & Assurance Committee.                                                                                                                                                                                                                                                                                                                   | 5    | -                                                                                                                                                                                                                                | 14 September 2022<br>N/A ongoing   |
| F02-23 | Governance Assurance and Audit Follow Up | Ongoing support and advice on development of governance and assurance structures. The follow up of previous recommendations to ensure that they are implemented.                                                                                                                                                                                                                                                                                       | 5    | -                                                                                                                                                                                                                                | N/A Ongoing                        |
| F03-23 | Annual Internal Audit Report             | 2021/2022 Annual Report (First year in new format including holistic overview of Internal Control).<br>CIA's annual assurance statement to the IJB and review of governance self-assessment.                                                                                                                                                                                                                                                           | 15   | -                                                                                                                                                                                                                                | 19 July 2022                       |
| F04-23 | Contract/Market Capacity                 | The scope will be to provide assurance on selected controls to mitigate Strategic Risk 21 via a self-assessment questionnaire completed by the relevant Senior Managers and Directors and reviewed by Internal Audit.                                                                                                                                                                                                                                  | 5    | Review the controls established to manage Strategic Risk 21 – Contractual/ Market Capacity: There is risk of significant partner failure in the third or independent sector leading to reduced ability to provide care services. | TBC                                |
| F05-23 | Workforce                                | The Workforce Scope: coherent, co-ordinated, adequate and effective approach to managing significant workforce risks. Strategic & operational responses across the totality of the workforce, including contracted services and 3rd sector.<br>The audit will review the adequacy of the Fife IJB Workforce Strategy and assurances on its implementation from both partner bodies as well as considering congruence with the IJBs new Strategic Plan. | 10   | SRR7- Workforce<br>There is a risk that the delegated bodies and partners across the system are unable to deliver the Workforce Strategy & Action Plan 2022-25.                                                                  | TBC                                |

## Appendix 1

### Relevant Reviews from the Fife Council 2022/23 Internal Audit Plan

| Fife Council Internal Audit Plan 2022/23            | Proposed Coverage                                                                                                                                                                                                               | Inherent Risk/ Risk Code                                   |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| <b>Governance Reviews</b>                           |                                                                                                                                                                                                                                 |                                                            |
| 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.                                                                       | High Various e.g. CN002 & 3, ECS002, EE002 & 3, FC020 & 26 |
| Corporate Governance & Best Value* (Service Level). | Review Service arrangements for meeting Best Value obligations, including Management Structure, Scheme of Delegation, Planning & Performance Reporting, managing to Fife Excellence Model (FEM) and providing annual assurance. | Medium FC007                                               |
| Oversight of 'Trust' Companies (ALEOs)*             | Service oversight of arm's length 'trust' companies, including contractual and governance arrangements, agreed objectives, and performance management and reporting mechanisms.                                                 |                                                            |
| 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.                                                  | Medium FC007                                               |
| Media Relations                                     | Review of the arrangements in place within the Communications Service to manage and monitor media relations on behalf of the Council, including strategy, performance management and reporting.                                 | Medium FC007 & 19                                          |
| <b>System Reviews</b>                               |                                                                                                                                                                                                                                 |                                                            |
| Asset Management*                                   | Service level needs assessment, recording, maintenance and utilisation of assets, including housing stock, property, vehicles, equipment and IT. • The scope of this review is Education laptops.                               | High EE001 & FCS001                                        |
| Care in the Home*                                   | Contracts with, and payments to, Care providers for clients' care in the home.                                                                                                                                                  | High FC026                                                 |
| Community Equipment Store*                          | Review of the arrangements in place at the community equipment store, against recognised good practice, to help support delivery of an efficient and effective community equipment service.                                     | High FC026                                                 |
| Scottish Welfare Fund*                              | Review of the arrangements in place to manage the Scottish Welfare Fund Crisis Grants, Community Care Grants and Self-isolation Support Grants in line with Scottish Government guidance.                                       | High CN002 & FCS001                                        |

| Fife Council Internal Audit Plan 2022/23 | Proposed Coverage                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Inherent Risk/ Risk Code |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Homelessness                             | Review of the adequacy of the systems in place within Housing to ensure that it meets its statutory obligations in respect of homelessness and recording of associated outcomes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | High CN003               |
| Financial Assessments *                  | End-to-end review of the financial assessments process in place to calculate contribution levels for long term care residents.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | High FCS001 & CN002      |
| <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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | -                        |
| 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. 46 - Information Governance</li> <li>• Internal Audit Report No. 57 - Employability, Matrix Fife</li> <li>• Internal Audit Report No. 58 - Performance Management</li> <li>• Internal Audit Report No. 62 - Asset Management, Land and Buildings</li> <li>• Internal Audit Report No. 71 - Risk Management &amp; Business Continuity</li> <li>• Internal Audit Report No. 75 - Common Good Fund Grants</li> </ul> | -                        |
| Prior Year Work                          | Finalisation of projects that are currently ongoing / nearing completion.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | -                        |
| Post Audit Reviews (PARs)                | Completion of the PAR exercise whereby formal assurances are obtained from management that internal audit recommendations have been implemented.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | -                        |
| PSIAS Self-assessment                    | To ensure conformance with the PSIAS, conduct a self-assessment of the Council's Internal Audit Service against the PSIAS utilising the revised external quality assessment framework.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | -                        |
| 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.                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | -                        |
| Specific Investigations                  | To respond to requests for advice and assistance as required in respect of cases of suspected fraud, corruption or malpractice.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -                        |

\* Reviews carried forward that will commence during 2022/23

## NHS Fife Operational Internal Audit Plan 2022-23

| Audit Process                              | Scope                                                                                                             | Days       |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------|------------|
| <b>AUDIT MANAGEMENT</b>                    |                                                                                                                   | <b>55</b>  |
| Audit Risk Assessment & Planning           | Audit Risk Assessment & Operational Planning                                                                      | 8          |
| Audit Management & Liaison with Directors  | Audit Management, liaison with Director of Finance and other officers                                             | 15         |
| Liaison with External Auditors             | Liaison and co-ordination with External Audit                                                                     | 4          |
| Audit Committee                            | Briefing, preparation of papers, attendance and action points                                                     | 18         |
| Clearance of Prior Year                    | Provision for clearance and reporting of 2020/21 audit reports                                                    | 10         |
| <b>CORPORATE GOVERNANCE</b>                |                                                                                                                   |            |
| <b><i>Accountability and Assurance</i></b> |                                                                                                                   | <b>105</b> |
| Annual Internal Audit Report               | CIA annual assurance to Audit Committee                                                                           | 15         |
| Governance Statement                       | Preparation of portfolio of evidence to support                                                                   | 15         |
| Interim Control Evaluation                 | Mid-year assurance for Audit and Risk Committee on specific agreed governance areas                               | 35         |
| Audit Follow Up                            | Undertaking the follow up of audit action points and provision of related reports to the Audit and Risk Committee | 40         |

| <b>Audit Process</b>                                  | <b>Scope</b>                                                                                                                                                           | <b>Days</b> |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b><i>Control Environment</i></b>                     |                                                                                                                                                                        | <b>10</b>   |
| Board, Operational Committees and Accountable Officer | Attendance and input / provision of advice at Standing Committees and other Groups.                                                                                    | 5           |
| Assurance Framework                                   | Continuation of assurance mapping work across FTF Clients – CIA leading                                                                                                | 5           |
| <b><i>Risk Management</i></b>                         |                                                                                                                                                                        | <b>30</b>   |
| Risk Management Strategy, Standards and Operations    | Yearly review of strategy and supporting structures in order to conclude on risk maturity. This review is a requirement of the Public Sector Internal Audit Standards. | 15          |
| Resilience and Business Continuity                    | Further review of Resilience following on from Interim Report T29/21                                                                                                   | 15          |
| <b><i>Health Planning</i></b>                         |                                                                                                                                                                        | <b>95</b>   |
| Strategic Planning                                    | Review of service capacity and delivery plans post Covid.                                                                                                              | 20          |
|                                                       | Review of NHSF's progress in delivering the Health and Wellbeing Strategy in line with its agreed timetable                                                            | 10          |
| Operational Service Planning                          | Review of the management of delayed discharges                                                                                                                         | 30          |
| Health & Social Care Integration                      | Deliver Fife IJB Internal Audit Plans.                                                                                                                                 | 35          |
| <b>CLINICAL GOVERNANCE</b>                            |                                                                                                                                                                        | <b>10</b>   |
| Medicines Management                                  | Follow-up audit of the Transportation of Medicines audit (B21/20) – Request from Director of Pharmacy (previous)                                                       | 10          |
| <b>STAFF GOVERNANCE</b>                               |                                                                                                                                                                        | <b>35</b>   |
| Workforce Planning                                    | Review of aspects of Medical workforce planning.                                                                                                                       | 25          |
| Whistle blowing                                       | Compliance with Whistle blowing Standards                                                                                                                              | 10          |

| Audit Process                                         | Scope                                                                                                       | Days       |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------|
| <b>FINANCIAL GOVERNANCE</b>                           |                                                                                                             |            |
| <b><i>Capital Investment</i></b>                      |                                                                                                             | <b>15</b>  |
| Property Transaction Monitoring                       | Post transaction monitoring                                                                                 | 15         |
| <b><i>Transaction Systems</i></b>                     |                                                                                                             | <b>35</b>  |
| Financial Process Compliance                          | To be selected from: Central, payroll, travel, accounts payable, accounts receivable, banking arrangements. | 15         |
| Patients Funds/Endowments                             | Focus on the ward controls – Request from Kevin Booth                                                       | 20         |
| <b>Total Days Allocated</b>                           |                                                                                                             | <b>390</b> |
| <b>To be allocated during year – approx 4 reviews</b> |                                                                                                             | <b>73</b>  |
| <b>Total Days for 2022/23 Internal Audit Plan</b>     |                                                                                                             | <b>463</b> |

| <b>Standards, Audit and Risk Committee of 25 May 2023</b>  |                                |                                 |                 |
|------------------------------------------------------------|--------------------------------|---------------------------------|-----------------|
| <b>Title</b>                                               | <b>Service(s)</b>              | <b>Contact(s)</b>               | <b>Comments</b> |
| Minute                                                     |                                |                                 |                 |
| Data Protection Report                                     | Finance and Corporate Services | Fiona Smyth-fc                  |                 |
| Code of Governance                                         | Finance and Corporate Services | Lindsay Thomson, Pamela Redpath |                 |
| Audit Charter                                              | Finance and Corporate Services | Pamela Redpath                  |                 |
| Issued Audit Report Summaries                              | Finance and Corporate Services | Pamela Redpath                  |                 |
| Post Audit Review (PAR) Report                             | Finance and Corporate Services | Pamela Redpath                  |                 |
| 2023/24 Internal Audit Plan                                | Finance and Corporate Services | Pamela Redpath                  |                 |
| External Quality Assessment                                | Finance and Corporate Services | Pamela Redpath                  |                 |
| Standards, Audit and Risk Committee Forward Work Programme |                                |                                 |                 |

| <b>Standards, Audit and Risk Committee of 30 June 2023</b>                                |                                |                   |                 |
|-------------------------------------------------------------------------------------------|--------------------------------|-------------------|-----------------|
| <b>Title</b>                                                                              | <b>Service(s)</b>              | <b>Contact(s)</b> | <b>Comments</b> |
| Minute                                                                                    |                                |                   |                 |
| 2022/23 Internal Audit Annual Report                                                      | Finance and Corporate Services | Pamela Redpath    |                 |
| Annual Governance Statement                                                               | Finance and Corporate Services | Elaine Muir       |                 |
| Fife Council Charitable Trusts - Unaudited Annual Report and Financial Statements 2022-23 | Finance and Corporate Services | Elaine Muir       |                 |
| Fife Council Unaudited Annual Accounts 2022-23                                            | Finance and Corporate Services | Elaine Muir       |                 |
| Whistle Blowing Policy Update                                                             | Finance and Corporate Services | Pamela Redpath    |                 |
| Risk Management Updates                                                                   | Finance and Corporate Services | Pamela Redpath    |                 |
| Issued Audit Report Summaries                                                             | Finance and Corporate Services | Pamela Redpath    |                 |



| <b>Standards, Audit and Risk Committee of 30 June 2023</b> |                   |                   |                 |
|------------------------------------------------------------|-------------------|-------------------|-----------------|
| <b>Title</b>                                               | <b>Service(s)</b> | <b>Contact(s)</b> | <b>Comments</b> |
| Standards, Audit and Risk Committee Forward Work Programme |                   |                   |                 |

| <b>Standards, Audit and Risk Committee of 17 August 2023</b> |                                       |                   |                 |
|--------------------------------------------------------------|---------------------------------------|-------------------|-----------------|
| <b>Title</b>                                                 | <b>Service(s)</b>                     | <b>Contact(s)</b> | <b>Comments</b> |
| Information Requests Annual Report                           | Customer Services Improvement Service | Laura McDonald-im |                 |
| Complaints Update                                            | Communities                           | David Thomson-CRM |                 |

| <b>Standards, Audit and Risk Committee of 28 September 2023</b>                      |                                |                   |                 |
|--------------------------------------------------------------------------------------|--------------------------------|-------------------|-----------------|
| <b>Title</b>                                                                         | <b>Service(s)</b>              | <b>Contact(s)</b> | <b>Comments</b> |
| Fife Council and Charitable Trusts - Annual Audit Report and Annual Accounts 2023-24 | Finance and Corporate Services | Elaine Muir       |                 |

| <b>Standards, Audit and Risk Committee of 30 October 2023</b>           |                                |                   |                 |
|-------------------------------------------------------------------------|--------------------------------|-------------------|-----------------|
| <b>Title</b>                                                            | <b>Service(s)</b>              | <b>Contact(s)</b> | <b>Comments</b> |
| Fife Integration Joint Board (IJB) 2022/23 Annual Internal Audit Report | Finance and Corporate Services | Pamela Redpath    |                 |
| NATIONAL FRAUD INITIATIVE EXERCISE - PROGRESS TO DATE                   | Finance and Corporate Services | Pamela Redpath    |                 |

| <b>Standards, Audit and Risk Committee of 9 November 2023</b>                                                                                                                                                              |                                |                   |                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------|-----------------|
| <b>Title</b>                                                                                                                                                                                                               | <b>Service(s)</b>              | <b>Contact(s)</b> | <b>Comments</b> |
| Regulation of Investigatory Powers Scotland (RIPSA) Act 2000                                                                                                                                                               | Finance and Corporate Services | Lindsay Thomson   |                 |
| The Acting Ethical Standards Commissioner for Scotland Annual Report 2022/23, the Standards Commission for Scotland (the Commission) Annual Report for 2022/23; and Decisions taken by the Hearing Panel of the Commission | Finance and Corporate Services | Lindsay Thomson   |                 |

| <b>Unallocated</b>                                   |                                |                   |                 |
|------------------------------------------------------|--------------------------------|-------------------|-----------------|
| <b>Title</b>                                         | <b>Service(s)</b>              | <b>Contact(s)</b> | <b>Comments</b> |
| Safeguarding Public Money: are you getting it right? |                                | Pamela Redpath    |                 |
| National Fraud Initiative (NFI) in Scotland 2023     | Finance and Corporate Services | Pamela Redpath    |                 |