Renfrewshire Council

To:	Audit, Risk and Scrutiny Board
On:	18 March 2024

Report by: Director of Finance and Resources

Heading: External Audit Plan 2023/24

1. Background

1.1 The Council's appointed external auditor, Azets, has submitted an Audit Plan that outlines its approach to the audit of the 2023/24 annual accounts of the Council and the Coats Observatory Trust. The audit will assess whether the accounts provide a true and fair view of the Council and Trust's financial positions and also whether they have been prepared in accordance with proper accounting practice, i.e. the 2022 Code of Practice on Local Authority Accounting in the UK.

1.2 The Audit Plan also outlines the responsibilities of the Council and of Azets; its assessment of key challenges and risks and the approach and timetable for completion of the audit.

1.3 The statutory deadline for the approval of the audited accounts for 2023/24 is 30 September 2024 and the annual audit report is planned to be reported to the Audit, Risk and Scrutiny Board at its meeting on 26 September 2024.

1.4 On page 33 of the Audit Plan, the proposed audit fee is detailed. For the Council, this is indicated at £469,344 for the 2023/24 audit, and represents an increase of 6% above the previous year audit fee.

1.5 The expected audit fee is reviewed by Audit Scotland each year. The 2023/24 expected audit fee is based on applying a 6% increase to the 2022/23 fee. This increase is applied on a sector basis and reflects the conditions of the public sector market.

1.6 On page 34 of the Audit Plan, the proposed audit fee for the Coats Observatory Trust for 2023/24 is indicated at £6,360 which also represents 6% increase in line with Audit Scotland's approach.

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2. Recommendations

2.1 Members are asked to note the content of the attached report, including the proposed audit fees for the Council and the Coats Observatory Trust.

Implications of the Report

1. **Financial** – An unqualified audit opinion demonstrates that the Council has effective systems of internal control in place. The audit fee is set by Audit Scotland, with some discretion afforded to local audit teams. The proposed audit fee for the Council for 2022/23 is £469,344 and for the Coats Observatory Trust it is £6,360.

2. **HR & Organisational Development** – None arising directly from this report.

3. **Community Planning** – None arising directly from this report.

4. **Legal** – An audit opinion free from qualification demonstrates compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973.

5. **Property/Assets** – None arising directly from this report.

6. **Information Technology** – None arising directly from this report.

7. **Equality & Human Rights** - None arising directly from this report.

8. **Health & Safety** – None arising directly from this report.

9. **Procurement** – None arising directly from this report.

10. **Risk** – the audit plan highlights audit issues and risks, and the approach that Azets will adopt in seeking assurance that these risks are being managed.

11. **Privacy Impact** – None arising directly from this report.

12. **COSLA Policy position** – None arising directly from this report.

13. **Climate Risk** – None arising directly from this report.

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Renfrewshire Council

External Audit Annual Plan 2023/24

March 2024

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Introduction

This audit plan highlights the key elements of our proposed audit strategy and provides an overview for those charged with governance of the planned scope and timing of the statutory external audit of Renfrewshire Council ("the Council"), including the charitable trust administered by the Council for the year ended 31 March 2024.

Our audit work will cover:

- an audit of the 2023/24 annual accounts for the Council and its group and the charitable trust;
- follow up work on the section 102 report by the Accounts Commission on the school accommodation for Dargavel village;
- 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); and
- any other work requested by Audit Scotland.

Adding value through the audit

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

Feedback

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

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

Openness and transparency

This report will be published on Audit Scotland's website 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 Audit, Risk and Scrutiny Board**
Guidance from Audit Scotland and the Accounts Commission	**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 and s102 report**

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 Audit, Risk and Scrutiny Board.

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 Audit Scotland appointments include Renfrewshire Council, Renfrewshire Valuation Joint Board, Scotland Excel, Clydeplan and the Coats Observatory Trust.

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 share 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

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 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.

Materiality

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.

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 Council maintains three Common Good funds, which were deregistered as charities during 2022/23 and do not require a separate audit opinion. However, we set out separate materiality levels for these funds as these will be specifically covered by the Renfrewshire Council auditor's opinion and are shown as a separate statement in the Council's financial statements.

The basis for our assessment of materiality is set out in Appendix 2.

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.

Our planning assessment has identified the following Group entities in scope of the group audit considerations:

Component	**Significant**	**Level of response required**
Renfrewshire Leisure Ltd	No	Analytical
Common Good Funds	No	Analytical
Paisley Museum Reimagined Ltd	No	Analytical
Park Lane Developments (Renfrewshire) LLP	No	Analytical
Coats Observatory Trust	No	Analytical
Strathclyde Partnership for Transport	No	Analytical

Component	Significant	Level of response required
Strathclyde Concessionary Travel Scheme Joint Committee	No	Analytical
Renfrewshire Valuation Joint Board	No	Analytical
Renfrewshire Health and Social Care Integration Joint Board	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

We will review the appropriateness of the Group entities during our audit. At this stage of our audit cycle we have not identified any 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. The most recent NFI exercise commenced in 2022 and most matches should have been investigated by 30 September 2023. As part of our 2023/24 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 2023/24 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 Auditor General, they will request auditors to consider and report on those risks as they apply at a local level. For 2023/24 no such risks have been specified.

Climate change

In 2022/23 we were required to gather information on the Council's response to climate change. The information is due to be analysed centrally by Audit Scotland to draw conclusions that can be used to determine an appropriate course of action over the period of audit appointment. The information will not be available until later in the year and therefore we have no specific actions on climate change for 2023/24.

For information, Audit Scotland centrally intends to carry out the following activities related to climate change in the short term:

- An overall approach to auditing climate change will be developed.
- A central review of disclosures related to climate change in public bodies' 2022/23 annual accounts will be carried out and shared in a Good Practice Note.

- Audit Scotland will continue to participate in discussions around the development and implementation of new climate change financial reporting standards and will keep auditors apprised of progress.

Best Value

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

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

1. **Follow up:** our work will follow up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports, Best Value thematic reports and Annual Audit Reports. Our work will reflect the Council's self-assessment against outstanding improvement actions and our findings will be based on the Council's current arrangements for delivering best value.
2. **Risk based approach to Best Value themes:** We pay due regard to the Council's arrangements in respect of the seven Best Value themes in identifying any significant risks.
3. **Assessing the effectiveness of performance reporting:** the best value theme, effective use of resources, includes an expectation that councils report effectively on their performance. Councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities. Specifically in respect of assessing the effectiveness of performance reporting we will consider:

Reporting service performance

- the Council's assessment of progress against its service priority measures in 2023/24 and over time.
- what the Council is reporting on its relative performance in 2023/24 and over time (from the Local Government Benchmarking Framework and other information used locally).
- The effectiveness of Council processes for reporting and scrutiny of performance against its priorities.

Continuous improvement

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

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. We will evaluate the effectiveness and appropriateness of the arrangements at the Council, including assessing the appropriateness of the information provided to members in responding to the Direction.

4. **Thematic reviews:** we are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2023/24 is on the workforce innovation and will involve auditors considering how councils are responding to the current workforce challenge through building capacity, increasing productivity and innovation. We will report our conclusions in a separate report which will be presented to those charged with governance and published on Audit Scotland's website.
5. **Contributing to Controller of Audit reports:** The Controller of Audit reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five year audit appointment. The report is a summary of information and judgements reported by each auditor.

   When considering the s102 report on Dargavel school provision the Accounts Commission has also requested to bring forward Renfrewshire Council's Best Value report from 2027 to 2024, or at the latest early 2025. As a result we will perform this work during 2024/25 and plan to report the outcomes from our review of the Council's Best Value arrangements by end December 2024.

Section102 School accommodation for Dargavel Village - Follow Up Review

In January 2024 the Accounts Commission ("the Commission") considered the S102 report by the Controller of Audit on School Accommodation for Dargavel Village. Following this, the Commission has requested that the Controller of Audit provides an update on the Council's progress in responding to the Commission's findings no later than June 2024. The Controller of Audit's report will largely be informed by the work of the audit team and a proposed programme for that work has been developed with an aim to start the review in February 2024.

Reporting our findings

At the conclusion of the audit we will issue:

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

- There is a fundamental absence or failure of arrangements in place
- There is no evidence to support improvement
- Substantial unmitigated risks affect achievement of corporate objectives

- Arrangements are inadequate or ineffective
- Pace and depth of improvement is slow
- Significant unmitigated risks affect achievement of corporate objectives

- No major weaknesses in arrangements but scope for improvement exists
- Pace and depth of improvement are adequate
- Risks exist to achievement of operational objectives

- Effective and appropriate arrangements are in place
- Pace and depth of improvement are effective
- Risks to achievement of objectives are managed

Financial statements – significant audit risks

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

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

Significant risks at the financial statement level

The table below summarises 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
Management override of controls 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. 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. **Risk of material misstatement: Very High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • 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

Identified risk of material misstatement	Audit approach
	approval has been undertaken in line with the Council's journals policy. • 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. • Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.

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
Fraud in revenue recognition 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). 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. 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 rather than the full year population. 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 with the focus on cut-off. This is a significant risk and Key Audit Matter for the audit. **Inherent risk of material misstatement:** • **Revenue (occurrence / cut-off): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating the significant income streams and review the controls in place over accounting for revenue. • Considering 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. • Substantively testing a sample of income items.

Identified risk of material misstatement	**Audit approach**
Fraud in non-pay expenditure 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. 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 rather than the full year population. **Inherent risk of material misstatement:** • **Non-pay expenditure (occurrence / cut-off): High** • **Accruals (existence / completeness): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating the significant non-pay expenditure streams and reviewing the controls in place over accounting for expenditure. • Considering 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. • Testing of accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.
Valuation of land and buildings (key accounting estimate) 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. The Council held council dwellings with a net book value of £714.7 million and land and buildings with a net book value of £343.2 million at 31 March 2023. 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. In interim years the values of beacon properties are updated	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to the valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied. • Testing the information used by the valuer to ensure it is complete and

Identified risk of material misstatement	Audit approach
to reflect key factors including changes in rental prices. 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. In the last two years the Council processed material audit adjustments in this area, including £20.6million in 2022/23 accounts to correct the carrying amount of property, plant and equipment in relation the valuation of assets. While the Council uses the rolling programme of valuations, this process has not been sufficient to consider the impact of the economic environment and increasing building prices on the full portfolio of the Council's assets. 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. The Council has completed an assessment of its exposure to potential risk in relation to Reinforced Autoclaved Aerated Concrete (RAAC) being used in the construction of public buildings with a potentially significant impact on asset impairment. One asset has been identified with RAAC present in the gym hall roof at Castlehead High School. Remedial works required at the site will be confirmed in early 2024 and the building considered during the valuation and impairment review. There is a risk that not all affected assets have been	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. • 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. • 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. • Testing a sample of valuations against documentation and assumptions used. • Evaluating work done to identify RAAC affected assets and potential impact on the financial statements.

Identified risk of material misstatement	Audit approach
identified and impact on the financial statements not reflected in the accounts. **Inherent risk of material misstatement:** • **Land & Buildings (valuation): Very High**	
Pension asset / liability (key accounting estimate) 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. 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. There is a risk that the assumptions used are not appropriate. **Inherent risk of material misstatement:** • **Pensions (valuation): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to their actuarial experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of management's actuarial expert. • Considering the basis on which the valuation was carried out and challenging the key assumptions applied. • Evaluating the information provided to the actuary for the purposes of their calculation of the IAS 19 estimate to ensure it was complete and consistent with our understanding. • Ensuring pension valuation movements made during the year were input correctly into the general ledger and financial statements and that the accounting treatment applied was in line with the financial reporting framework.

Identified risk of material misstatement	Audit approach
Provision for doubtful debts (key accounting estimate) The Council in its annual accounts provides for material doubtful debts over sundry debtors. There is a significant degree of subjectivity in the measurement and valuation of provisions for doubtful debts. This subjectivity represents an increased risk of misstatement in the financial statements. **Inherent risk of material misstatement:** • **Debtors Provisions (valuation / completion): High**	Procedures performed to mitigate risks of material misstatement in this area will include: • Obtaining the breakdown of provisions and assessing the reasonableness of management's judgements as well as challenging the appropriateness of any assumptions used. • Performing substantive testing on provisions for doubtful debts where values and balances are derived by valuation and estimation.

The wider scope of public audit

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

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

Our audit approach to the wider scope audit areas

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

- identifying significant audit risks at the planning stage of the audit
- reaching conclusions on those risks
- making recommendations for improvement
- where appropriate, setting out conclusions on the audited body's performance.

When reporting on such arrangements, the Code of Practice requires us to structure our commentary under the four areas identified above. Appendix 1 provides further detail on the definition, scope and audit considerations under each wider scope area.

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

We have identified one significant risk in relation to financial sustainability as set out in the table below. Audit planning is a continuous process and we will report all identified significant risks, as they relate to the four wider scope areas, in our annual audit report.

Wider scope significant risk

Financial sustainability

The Council considers its medium-term financial planning through its Financial Sustainability and General Fund Financial Outlook report regularly presented to the full Council. The Council has considered a range of scenarios from optimistic to pessimistic and identified a ‘central scenario’ with a funding gap of £45 to £50million between 2024/25 and 2027/28. Assuming 5% council tax increases in each of those years the funding gap reduces to £30-35million and would require the Council to identify c.£8million of savings and efficiencies each year. However, such council tax increases would be subject to prior Council vote and approval.

The Council reviewed its budget planning assumptions to reflect the financial challenges impacting on the external environment which the Council operates in. The key assumption used in the years to 2026/27 is a flat cash allocation from the Scottish Government with 1% increase estimated beyond that year. The Scottish Government has announced a council tax freeze for 2024/25 and £147m of funding to compensate councils who accept the freeze. This is subject to decision by the Council at its budget meeting on 29 February 2024.

In addition to the council tax, other assumptions included pay and contractual inflation cost pressures. The continuing 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. Some savings are expected from the favourable funding position of the recent Strathclyde Pension Fund’s triennial valuation and resultant employer pension contributions reductions.

The Council’s reserves include £21.5million of ringfenced reserves for financial sustainability and £10.3million of unallocated reserves. While the Council plans to potentially draw down up to £12million of ringfenced reserves to achieve a breakeven position in the short term, it has acknowledged that these cannot be utilised as a sustainable solution to close the medium-term budget gap. If the council relies only on the reserves it would have to use £28.5million of the reserves between 2024/25 and 2027/28. The Council recognises that difficult decisions on spending priorities will be required to address the projected budget deficit.

The medium-term financial challenge and financial gap has been considered by the Council numerous times, and a further £8.9million of savings has been incorporated into the 2024/25 draft budget. This does still leave a gap over the medium term, which poses an increasing risk to the Council’s delivery of services, and we would recommend addressing as a priority.

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

Further wider scope considerations

In formulating our audit plan, we identified areas of possible significant risk in relation to all wider scope areas. Our audit approach will include reviewing and concluding on the following considerations to substantiate whether significant risks exist.

Financial management

- Whether there are effective arrangements in place to budget for, monitor and deliver its capital plans.
- Whether the planned savings in the year have been set realistically and were achieved.

Vision, leadership and governance (subject to separate Best Value report)

- Actions to address the results of the review of the effectiveness of the Audit, Risk and Scrutiny Board against the CIPFA good practice guidance for audit committees.
- Whether the Council has considered the effectiveness of existing scrutiny arrangements across all governance bodies as part of its evaluation of the role of the Audit, Risk and Scrutiny Board.
- Effectiveness of community engagement and approach to options appraisal.

Use of resources to improve outcomes

- Impact of the savings exercises and budget cuts on the quality of the delivery of the council services.

Renfrewshire Trust Funds

Coats Observatory Trust Fund

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 trust is 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 is one registered charity preparing its accounts on a receipts and payments basis – Coats Observatory Trust Fund.

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
Management override of controls 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. 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.	Procedures performed to mitigate risks of material misstatement in this area will include: • Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals. • Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals. • 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

Identified risk of material misstatement	Audit approach
Risk of material misstatement: Very High	has been undertaken in line with the Trusts' journals policy. • 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. • Evaluating the rationale for any changes in accounting policies estimate or significant unusual transactions.

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
Valuation of the Trust land and buildings The valuation of Coats Observatory land and buildings is based on fair value, determined as the market value that would be paid for the asset in its current use. Valuation is provided by the Council Valuer and updated as a minimum every five years. The latest valuation of the Observatory building was 31 March 2021. There is a significant degree of subjectivity in the measurement and valuation of land and buildings. This subjectivity and the material nature of the Trust's asset base represents an	Procedures performed to mitigate risks of material misstatement in this area will include: • Evaluating the competence, capabilities and objectivity of the valuation expert. • Considering the basis on which the valuation is carried out and the challenge in the key assumptions applied. • 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,

Identified risk of material misstatement	Audit approach
increased risk of misstatement in the annual accounts. **Inherent risk of material misstatement:** **Assets (valuation): High**	we will ensure these have been communicated to the valuer.

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 basis for our assessment of materiality is set out in Appendix 2.

Audit team and timetable

Audit Team

Our audit team will be as follows:

Role	Name	Email
Engagement Lead	Gary Devlin	Gary.Devlin@azets.co.uk
Engagement Manager	Adrian Kolodziej	Adrian.Kolodziej@azets.co.uk
Auditor in Charge	Ava Campbell	Ava.Cambell@azets.co.uk

Timetable

Please find below confirmation of our proposed timetable for the audit as previously discussed with management:

Output	Target month / date
Audit planning meetings	January 2024
Audit, Risk and Scrutiny Board to consider audit plan	18 March 2024
S102 follow up work	February – May 2024
Interim audit	March 2024
S102 follow up report presented to the Accounts Commission	13 June 2024
Receipt of draft accounts and commencement audit fieldwork	1 July 2024
Audit, Risk and Scrutiny Board to consider accounts and audit report	23 September 2024
Council meeting to approve accounts for signing	26 September 2024

Output	Target month / date
Best Value report presented to the Accounts Commission	December 2024
Grant claims and returns: • Non domestic rate income return (NDRI) • Whole of Government Accounts (WGA) • Housing benefit subsidy claim (HB)	TBC

Our Requirements

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

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

- Draft financial statements of a good quality by the deadlines you have agreed with us. These should be complete including all notes, the performance report and the accountability report.
- Good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations.
- Ensuring staff are available and on site (as agreed) during the period of the audit.
- Prompt and adequate responses to audit queries.

Audit fee

The quality of audit work is an essential requirement in successfully delivering a fully compliant ISA and Code of Audit Practice audit. Audit 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 unaudited accounts and meets the agreed timetable for audit.

The expected fee is reviewed by Audit Scotland each year, based on Audit Scotland's overall budget proposals. The budget proposal and fee levels (for the 2023/24 audits) have been developed in the context of a challenging economic environment, increased expectations on the audit profession and the ongoing process of recovery following the Covid-19 pandemic.

The 2023/24 expected audit fee is based on applying a 6% increase to the 2022/23 expected audit fee. This increase is applied on a sector basis and reflects the conditions of the public sector market.

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

The expected fee for auditor remuneration set by Audit Scotland for the 2023/24 audit of the Council is £287,740. We propose setting the 2023/24 audit fee at £316,514 which equates to a 10% increase. We have increased the auditor remuneration element of the audit fee to reflect the level of work we consider is required in response to the key audit matters identified in this plan and to deliver the core Best Value review to be performed during this year's audit.

The breakdown of the fee for 2023/24 is shown in the table below.

	2023/24	**2022/23**
Auditor remuneration	£316,514	£298,450
Pooled costs	£10,490	-
Contribution to PABV costs	£82,680	£78,110
Audit support costs	-	£10,290
Sectoral cap adjustment	£59,660	£55,800
Total fee	**£469,344**	**£442,650**

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 work not within our planned audit activity. The Accounts Commission has commissioned additional follow-up work in relation to the s102 report and the Controller of Audit may require additional Best Value work outwith the core work contained within Audit Scotland's methodology. We will notify you of any additional fees in relation to this work.

Audit fee – Renfrewshire Council Charitable Trust (Coats Observatory)

The audit fee in the table above does not include the cost of auditing charitable trust fund. We propose setting the audit fee for the audit of the charitable trust at £6,360 which represents 6% increase in line with Audit Scotland approach outlined above.

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.

Appendices

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.

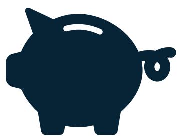
We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the Council and others, including Audit Scotland, on the results of our audit work.

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.

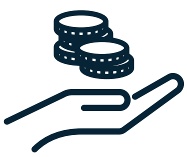


Financial management

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. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an Audit Quality Framework

The most recent audit quality report can be found at Quality of public audit in Scotland: Annual report 2022/23 | Audit Scotland (audit-scotland.gov.uk)

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
Corporate governance	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.
Financial statements and related reports	The Council has responsibility for: • 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; • 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; • 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 • 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. 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. The Council is responsible for developing and implementing effective systems of internal control as well as financial, operational

Area	Council responsibilities
	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.
Standards of conduct for prevention and detection of fraud and error	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.
Financial position	The Council is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to: • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best value	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: • The quality of its performance of its functions • The cost to the body of that performance

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: 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.

Group and the Council materiality

	Group £million	Council £million
Overall materiality for the financial statements	18.1	18.0
Performance materiality	13.5	13.5
Trivial threshold	0.500	0.500

Materiality	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. Our assessment of materiality equates to approximately 2% of the Council's gross expenditure as disclosed in the 2022/23 audited annual accounts. We have increased this percentage from 1% used last year due to our considerations of last year's financial statements findings and to align it with the audit industry in Scotland. 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.
Performance materiality	Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures

	carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement. 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.
Trivial misstatements	Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. 2023/24 is the first year where Audit Scotland abolished the trivial limit cap of £0.250million used previously. Azets methodology allows for trivial threshold to be set at 5% of the overall materiality level, however for the first year of uncapped threshold being used we have set it at c.3% of the materiality. We will consider appropriateness of this change during the audit and will revisit this assessment next year.

Coats Observatory materiality

	Overall materiality **(£)**	**Performance materiality** **(£)**	**Trivial threshold** **(£)**
Coats Observatory Trust Fund	£20,300	£15,200	£1,000

Overall materiality: our assessment is based on approximately 3% of net assets. We consider this benchmark to be the principal consideration for the users of the financial statements when assessing the performance of the charitable trust.

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.

Common Good Funds materiality

	Overall materiality (£)	Performance materiality (£)	Trivial threshold (£)
Paisley	£180,000	£135,000	£9,000
Johnstone	£1,560	£1,170	£100
Renfrew	£1,010,000	£757,500	£50,500

Overall materiality: our assessment is based on approximately 3% 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, with the Johnstone Fund rounded up to £100.