Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.

- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.

- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.

About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.
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Key messages

2018/19 annual accounts
1 The financial statements of Clackmannanshire Council (the council) and its group give a true and fair view and were properly prepared.
2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant requirements.

Financial management
3 The council operated within its revenue budget for 2018/19 by achieving savings and through organisational redesign and use of capital receipts.
4 Underspending against the capital budget continued in 2018/19, reinforcing the need to complete a longer-term capital strategy.

Financial sustainability
5 The council’s financial position has improved but remains very challenging.
6 The council forecasts a budget gap of £23 million over the next three years which it aims to address through savings and service redesign.
7 The council is prioritising collaborative working with partners to improve financial and service sustainability.

Governance and transparency
8 The council’s governance arrangements during 2018/19 provided an appropriate framework for decision-making and scrutiny.
9 The council acknowledges that it needs to demonstrate better the link between decisions on how it uses its resources and its priorities.

Value for money
10 The council is making the investment necessary to create the conditions for change. This investment aims to improve its finances and enable it to pursue opportunities for service development.
11 The pace of change has increased significantly over the last year, with much to do to implement and embed the changes required for financial and service sustainability.
1. This report summarises the findings arising from the 2018/19 audit of Clackmannanshire Council (the council) and its group.

2. The scope of the audit was set out in our 2018/19 Annual Audit Plan presented to the February 2019 meeting of the audit committee. This report comprises the findings from:

- an audit of the annual report and accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016 as illustrated in Exhibit 1.

Exhibit 1
Audit dimensions

3. The main elements of our audit work in 2018/19 have been:

- an audit of the annual report and accounts of the council and its group and the issue of an independent auditor's report setting out our opinions
- a review of the council's key financial systems
- a review and report on the council’s progress in implementing the January 2018 Best Value Assurance Report recommendations and the Accounts Commission's findings
- consideration of the four audit dimensions.
Added value through the audit

4. We add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- following-up on Best Value audit work, including engaging with elected members and senior officers on our findings, to support improvement.

5. Taking this together, we aim to help the council promote improved standards of governance, better management and decision-making and more effective use of resources.

Responsibilities and reporting

6. 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.

7. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice 2016 and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council’s performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- Best Value arrangements.

10. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016.

11. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
12. Our Annual Audit Report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

13. We can confirm that we comply with the Financial Reporting Council’s Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2018/19 audit fee of £198,220 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland’s website wwwaudit-scotland.gov.uk in due course.

15. We would like to thank all management and staff for their cooperation and assistance during the audit.
Part 1
Audit of 2018/19 annual accounts

Main judgements

The financial statements of Clackmannanshire Council (the council) and its group give a true and fair view and were properly prepared.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant requirements.

The annual accounts of the council and its group are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Audit opinions on the annual accounts

16. The annual accounts for the council and its group for the year ended 31 March 2019 were approved by the audit committee on 26 September 2019. We reported, within the independent auditor’s report, that the;

- financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

17. We have nothing to report in respect of misstatements in the information accompanying the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of the annual accounts for audit

18. We received the unaudited annual accounts on 28 June 2019 in line with the audit timetable set out in our 2018/19 Annual Audit Plan.

19. Last year we noted several presentational and disclosure issues with the unaudited annual report and accounts and we reported that the working papers provided to support them were incomplete. We are pleased to report an improvement in the standard of the unaudited annual accounts this year. We received a complete working papers package in support of the accounts although a clearer audit trail could have been provided for some account areas. Finance staff provided good support to the audit team during the audit.

Risk of material misstatement

20. Appendix 2 provides a description of risks of material misstatement in the annual accounts and any wider audit dimension risks that we identified during our audit planning process. It also summarises the work we have done to gain assurance in relation to these risks.
21. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

**Materiality**

22. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

23. Our initial assessment of materiality for the annual accounts, including the council’s group, was carried out during the planning phase of the audit and is summarised in Exhibit 2. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

24. On receipt of the annual accounts for audit we reviewed our planning materiality assessments and concluded that they remained appropriate.

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**Exhibit 2**

**Materiality values**

<table>
<thead>
<tr>
<th>Materiality level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall materiality</td>
<td>£2.10 million</td>
</tr>
<tr>
<td>Performance materiality</td>
<td>£0.84 million</td>
</tr>
<tr>
<td>Reporting threshold</td>
<td>£50,000</td>
</tr>
</tbody>
</table>

Source: Audit Scotland, Annual Audit Plan 2018/19

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**Significant findings from the audit in accordance with ISA 260**

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body’s accounting practices covering accounting policies, accounting estimates and financial statements disclosures. The significant findings are summarised in Exhibit 3.

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**Exhibit 3**

**Significant findings from the audit of the financial statements**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Valuation of pension liability</strong></td>
<td>The council obtained an updated IAS19 report from the actuary which makes an approximate allowance for the implications of the McCloud judgement. The report also includes an allowance for the impact of Guaranteed Minimum Pension (GMP) equalisation charges as well as updated figures for asset returns.</td>
</tr>
<tr>
<td></td>
<td>The council has adjusted the annual accounts to reflect its share of pension fund assets and liabilities based on the updated report. This</td>
</tr>
</tbody>
</table>
Issue | Resolution
--- | ---
The Supreme Court ruled in late June 2019 that the UK Government had no grounds to appeal the McCloud judgement, regarding unlawful age-related discrimination in transitional provisions in public sector pension schemes. This means there may be a requirement to compensate pension scheme members for any discrimination arising from transitional protections. The actuarial report used to prepare the council’s unaudited annual accounts did not reflect the implications of the McCloud judgement due to the timing of the judgement. increased the council’s pensions liability by £4.5 million and reduces its pensions reserve by the same amount. Local government accounting means this adjustment does not affect the council’s outturn for the year or its general fund balance. We are content with the process the council has gone through and the changes it made to the accounts.

Source: Audit Scotland

How we evaluate misstatements

26. There was one material adjustment to the unaudited financial statements arising from our audit. This relates to the valuation of the pension liability as described in Exhibit 3 above. We also identified three monetary misstatements below our materiality level, but which exceeded our reporting threshold. These were amended by management and relate to:

- the accrual of additional Scottish Government 2018/19 funding for the teachers’ pay award, which was understated by £0.10 million
- council tax income, which was overstated by £0.08 million
- investment properties, which were understated by £0.50 million.

27. The net effect of the audit adjustments was to reduce net expenditure by £0.02 million and increase the general fund balance by the same amount.

Follow up of prior year recommendations

28. The council has made reasonable progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in Appendix 1.

Other findings

29. Last year we noted issues with the year-end reconciliation between the housing rents system and the financial ledger. A reconciliation was prepared last year for the first time in a number of years but there was no evidence that reconciling differences had been investigated by officers. This year the council did not prepare a year-end reconciliation, although it did prepare regular monthly reconciliations. Officers made a journal posting of £0.14 million to ensure the financial ledger agreed to the housing rents system. The amount is not material in the context of the audit but we are concerned about the absence of year-end accounting reconciliations and related follow-up.

Recommendation 1

Regular reconciliations should be performed and reconciling differences investigated.
30. Our audit also identified some presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts. This included significant changes to the disclosures in the remuneration report and cash flow statement, to improve their presentation and to ensure the council complied with relevant regulations.

Objections

31. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council’s original notice did not comply with the regulations. We alerted officers of this and the notice was amended to be compliant. There were no objections to the 2018/19 accounts.
Part 2
Financial management

Main judgements

The council operated within its revenue budget for 2018/19 by achieving savings and through organisational redesign and use of capital receipts.

Underspending against the capital budget continued in 2018/19, reinforcing the need to complete a longer-term capital strategy.

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

Financial performance in 2018/19

32. The council approved its 2018/19 budget of £118.8 million in March 2018. The council recorded a general fund revenue underspend of £2.7 million in 2018/19. The more significant under and overspends are summarised in Exhibit 4.

33. The council’s 2018/19 budget included approved savings of £7.4 million which was reduced to £7.2 million following a council decision to reverse previously agreed changes to staff terms and conditions. The council achieved £6.2 million (87%) of these savings in-year. This is a significant improvement from 2017/18 when it achieved 70% of approved savings.

34. The council delivered services within budget by achieving planned and compensating savings, ongoing organisational redesign and use of capital receipts.

Exhibit 4
Summary of significant under and overspends against budget

<table>
<thead>
<tr>
<th>Area</th>
<th>Amount</th>
<th>Main reasons for variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underspends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>£1.8 million</td>
<td>The primary schools staff costs budget was underspent by £0.7 million due to vacant posts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The budget for secondary schools supply teachers was underspent by £0.3 million.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The council received pupil equity funding for the 2018/19 academic year (August 2018 to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>July 2019). The council recorded a £0.7 million underspend reflecting unspent funds at the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>financial year end which were carried forward for use in the remainder of the academic year.</td>
</tr>
</tbody>
</table>
### Area | Amount | Main reasons for variance
---|---|---
Development and environmental services | £0.7 million | A range of underspends across the environmental services, roads and street lighting budgets.
Housing and community safety | £0.7 million | The council’s expenditure on housing benefits was £0.7 million less than budgeted.

### Overspends

<table>
<thead>
<tr>
<th>Area</th>
<th>Amount</th>
<th>Main reasons for variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Social Care Partnership</td>
<td>£0.6 million</td>
<td>Spend on demand-led services including nursing homes, residential homes and care at home was £2 million over budget. This was offset by an underspend on staff costs of £0.5 million, a £0.5 million contribution from the partnership through the risk-share agreement and other smaller underspends.</td>
</tr>
</tbody>
</table>

Source: Clackmannanshire Council

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## Housing revenue account

**35.** The council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set at a level which will at least cover the costs of its social housing provision.

**36.** The council made a surplus of £6.1 million in 2018/19 on its HRA which was higher than the budgeted surplus of £5.2 million. The increase was mainly due to lower than expected expenditure on staff costs and premises.

**37.** The council has used the HRA surplus to make a £4.6 million capital contribution to fund future improvements to its housing stock in accordance with its housing business plan. The remaining surplus was used to contribute to an IT project and for the purchase of houses for the HRA. The balance on the HRA at the end of the 2018/19 financial year increased to £3.7 million. These results indicate that the operation of the council’s HRA currently remains financially sustainable.

## Reserves

**38.** The council holds usable reserves of £20.0 million which is unchanged from 2017/18. The council’s general fund balance, which provides a contingency to meet unexpected expenditure and cushion the impact of uneven cash flows, decreased from £9.7 million to £8.6 million.

**39.** The council reviews the level of its uncommitted reserves when setting the budget each year. The uncommitted element of the general fund at 31 March 2019 was £4.8 million which represents 3.8 per cent of net expenditure, above the 3 per cent minimum set in the council’s reserve strategy. This is an increase of £1.0 million from the position reported in 2017/18 of £3.8 million (3.2 per cent of net expenditure).

## Capital programme 2018/19

**40.** Total capital expenditure in 2018/19 was £22.8 million of which £17.6 million related to general services and £5.2 million to the housing revenue account. This represents an overall underspend of £9.8 million (30%) on the council’s capital programme.

**41.** The underspend was due to a range of factors, including:
14

- Tullibody South Campus (£2.3 million) – due to the delay in the contract start date which affected the phasing of spend. The school opened to pupils in August 2019 as planned.

- Clackmannanshire regeneration programme (£0.6 million) – due to carry forward of unspent budget to reflect a change in the phasing of the project.

- HRA (£3.7 million) – due to delays in the repairs and refurbishment programme, later than planned agreement of a contract for electrical testing and an underspend on the house purchases budget.

42. We previously highlighted recurring capital underspends and recommended last year that the council presses on with work to improve the management of its capital programme. The capital programme involves new and improved infrastructure and is therefore an important part of the council’s plans to achieve savings and improve services.

43. The council’s capital underspend is less than previous years but there remains a risk that recurring capital underspends affect the ability of the council to achieve these aims. The council had planned to produce a capital strategy in 2018/19 setting out its priorities for the next five to ten years and to better align capital planning and spending. The council now expects to publish a capital strategy in 2019/20.

**Recommendation 2**

The council should implement a capital strategy which clearly sets out how it will manage and deliver its programme of capital expenditure in the medium and longer-term.

**Borrowing in 2018/19**

44. The council borrows to support its investment in long-term assets. The council had outstanding loans of £137.2 million at 31 March 2019, a decrease of £6.1 million compared with the previous year. This consists of external borrowing of £96.8 million and long-term liabilities relating to three school public private partnership leases of £40.4 million.

45. The council sets an authorised limit for external debt in its annual treasury strategy. This provides authority for the maximum figure the council can borrow at any given point. The council also sets a lower operational boundary based on an estimate of the most likely level of external borrowing. The council’s borrowing remains within its external borrowing limit of £165.0 million and operational boundary of £155.0 million.

**Budget monitoring**

46. The *Local Government in Scotland: Financial overview 2017/18* (November 2018) highlighted that effective budget-setting and budgetary control is particularly important for councils with decreasing (or low levels) of usable reserves.

47. Within the council, scrutiny of financial performance is carried out by service committees and overall review of the council’s financial position is delegated to the audit committee. The committee receives revenue and capital monitoring reports showing an overall picture of the budget position. The reports also forecast the outturn position for the year and include explanations for significant variances against budget.

48. We reported last year that management did not prepare a final outturn report for councillors setting out details of the financial performance of the council in
2017/18. This meant that councillors did not have the opportunity to scrutinise the financial performance of individual services and investigate the reasons for significant revenue and capital over and underspends based on the year-end figures.

49. Management agreed that for 2018/19 a draft outturn report would be presented to the June 2019 audit committee. This did not happen. Officers explained that this was due to information not being available in time to meet the timetable for submitting committee papers. Officers have indicated that the outturn report will be presented to the next audit committee in September 2019.

Recommendation 3

The council should ensure it has clear year-end budgeting review arrangements in place.

Financial management capacity

50. Last year we highlighted that management changes had affected the leadership and capacity of the finance team.

51. The council has taken steps to address this with the appointment of a new Chief Finance Officer, and section 95 officer, in February 2019. The next stage to review how the finance team is organised is underway.

52. Effective financial management is essential in the council’s work to improve its challenging financial position. We will continue to monitor developments in this important aspect of the council’s organisation and will report accordingly.

Systems of internal control

53. As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

54. Our findings were included in our management report presented to the audit committee in April 2019. We identified areas where controls could be strengthened and we have carried out additional work to gain the assurance we require for our audit of the council’s 2018/19 annual accounts.

55. We also highlighted continuing weaknesses in controls over changes to supplier bank details. We noted that this was concerning, needed to be addressed as a matter of urgency and that until this matter was resolved financial and reputational risks to the council would remain. We understand that the council has taken steps to address this and we will review progress as part of the next year’s audit.

Internal audit

56. The council’s internal audit function is provided through a joint resourcing agreement with Falkirk Council. Falkirk Council provides management and resources under the terms of the agreement. Each year we consider whether we can rely on internal audit work to avoid duplication of effort.

57. Based on a review of internal audit’s plans, we concluded that our approach this year would not involve formal reliance on internal audit in the context of our audit opinions. We did however consider the findings of internal audit throughout the year to inform our work.
Arrangements for prevention and detection of fraud and error

58. The council has a range of procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, corporate anti-fraud policy, fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

59. We concluded that the council needs to update its arrangements for the prevention and detection of fraud and corruption. This includes updating relevant policies and strategies and ensuring staff are aware how to report suspected fraud. The council is developing a new fraud prevention policy.

Recommendation 4

The council should review and update its fraud arrangements and policies and ensure these are clearly communicated to staff.

National Fraud Initiative

60. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

61. NFI activity is summarised in Exhibit 5. The exercise has identified 782 matches, of which 160 are deemed to be high risk matches recommended for investigation. High risk matches are those most likely to indicate possible fraud or irregularity. To date the council has investigated 64 matches of varying risk levels, which is just eight per cent of all matches.

Exhibit 5
NFI activity

<table>
<thead>
<tr>
<th>Matches</th>
<th>Recommended for investigation</th>
<th>Completed/closed investigations</th>
</tr>
</thead>
<tbody>
<tr>
<td>782</td>
<td>160</td>
<td>64</td>
</tr>
</tbody>
</table>

Source: NFI secure website: www.nfi.gov.uk

Recommendation 5

The council should ensure its review of high risk NFI matches is concluded as a priority and report the outcome of NFI activity to the audit committee.
Financial sustainability looks forward to the medium and long-term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

**Financial planning**

**62.** It is important that long-term financial strategies (typically covering five years or more) are in place which link spending to the council’s strategies and which reflect the impact of future pressures on the council.

**63.** The council regularly reviews its financial position. It has longer-term plans that include best, most likely and worst-case scenarios for a rolling four year period. These scenarios, which it regularly reviews, are based on different sets of assumptions for variables such as Scottish Government funding, inflation and pay awards. Councillors receive regular budget strategy reports which update them on predicted funding gaps.

**Funding position and savings plans**

**64.** The most recent figures available (June 2019) indicated that the council is forecasting most likely funding gaps of £10.2 million, £6.7 million and £6.5 million for the three years to 2023. This is a cumulative gap of £23.4 million which is an improvement from the three-year funding gap of £31.9 million reported this time last year.

**65.** The council agreed a balanced budget for 2019/20 in March 2019. Through the budget the uncommitted general fund balance is maintained above the minimum set in the council’s reserve strategy. The budget includes further recurring savings of £4.8 million and the council will use one-off savings and a contribution from its capital receipts reserve. The council knows this approach is not sustainable and accepts that the £10.2 million funding gap for 2020/21 is very challenging.

**Progress to financial sustainability through transformation and redesign**

**66.** As we identified in the June 2019 Best Value Assurance Report (BVAR) Progress report the council’s financial position has improved but remains very challenging. Our report, prepared for the Accounts Commission, said the council recognises that its finances are not sustainable in the longer term without
transformation and decisions on services, and highlighted actions that are underway. These include establishment of a change programme board with representation from each of the political parties and the council’s senior management. The board oversees the council’s transformation programme. It reviews and supports the development of business cases before these are referred to the council for approval. The council plans to use the change programme board to allow earlier consideration of savings.

67. Our BVAR Progress report also found that the council views collaboration as critical to achieving financial sustainability. This is captured in its new corporate plan ‘Be the Future’, agreed in December 2018. The plan, which covers the period to 2022, sets out a clear vision for the council based on collaboration, inclusive growth and innovation.

68. The council has agreed that business cases for collaborative arrangements with local partners should be developed. It is in discussions with councils in Forth Valley, Fife and Tayside to explore opportunities to develop joint arrangements in areas including waste management, road services, facilities management and support services. The chief executives and political leaders of the Forth Valley council also meet regularly to discuss options for collaboration.

69. The City Region Deal involves Clackmannanshire and Stirling Councils and the University of Stirling. They are working together to deliver the programme, with Stirling Council acting as the lead authority. A governance framework is in place, including a joint committee as the decision-making forum for all City Region Deal matters. The council is managing the pressures on its capital programme associated with the City Region Deal projects.

70. The council recognises that to transform services it also needs to increase collaboration with community planning partners, third sector organisations and its communities. This includes developing and co-producing local solutions with communities that meet the needs of local people.

71. The council’s strategic directors have reviewed the range of services within their portfolios to identify opportunities for integrating services and models to sustain statutory and priority services. This resulted in new management structures for the place and partnership and performance portfolios and a transitional structure for the people portfolio which were approved by council in June 2019. Annual business plans for each portfolio were agreed by council in August 2019.

72. The council agreed its strategic workforce plan for 2019 to 2022 in June 2019. This sets out the council’s workforce planning priorities for the next three years. It is accompanied by a workforce development plan which includes key work required to achieve the council’s workforce planning ambitions.

EU withdrawal

73. There remains significant uncertainty surrounding the terms of the UK’s withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.

- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.

- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.
74. The council is aware of the risks associated with EU withdrawal and has assessed how it is likely to be affected. It prepared an update report presented to Council setting out the likely implications of EU withdrawal on the Scottish economy and for Clackmannanshire. This includes consideration of the effect on the local economy, its workforce and its funding streams. The council has also considered the economic impact of EU withdrawal in its budget strategy reports to councillors.

75. The council has prepared a risk register to manage the risks associated with EU withdrawal. It has taken advice from its treasury and procurement experts to ensure it is adequately prepared. Officers have also met with their counterparts from the other Scottish councils to discuss and compare arrangements. The 32 councils have agreed to jointly fund an officer responsible for helping manage the implications of EU withdrawal.
Governance and transparency is concerned with the effectiveness of scrutiny and governance, leadership and decision-making and transparent reporting of financial and performance information.

Governance arrangements

76. In July 2018 the council started to implement a new strategic model with three broad categories of services: people, place, and partnership and performance. The council has appointed strategic directors to lead each of the new portfolios.

77. The council implemented a new committee structure in 2018/19 to reflect its strategic model. Three service committees, for people, place, and partnership and performance were formed and are now well established. A new audit committee replaced the audit and finance committee and the scrutiny committee. The new committee is chaired by a member of the opposition, in line with accepted good practice. Councillors have supported these new arrangements and are working collectively to provide political leadership.

78. Council and committee meetings are well attended by councillors and papers are subject to a good level of scrutiny. The governance arrangements in place during 2018/19 provided an appropriate framework for organisational decision-making and scrutiny. The council should keep the new arrangements under review and ensure that they remain effective in practice.

Openness and transparency

79. Openness and transparency supports understanding and scrutiny. There are increasing public expectations for more openness and transparency as citizens want to understand how public money is used. A transparent organisation shows the basis for its decisions and shares information about how it is using its resources such as money, people and assets.

80. Overall, the council conducts its business in an open and transparent manner. Members of the public can attend council and committee meetings. Minutes of these committee meetings and supporting papers are available on the council’s website. The website also provides public access to a wide range of information including registers of members’ interests, current consultations and surveys, and how to make a complaint.

81. Our BVAR Progress report considered the council’s arrangements for consultation with residents on its 2019/20 budget. We found that the budget consultation document clearly set out the challenges faced by the council and the
difficulty in finding savings that will not impact individuals and communities. Residents raised concerns about some of the savings proposals they were being consulted on and presented petitions to council committees objecting to these. Councillors agreed not to proceed with these options.

82. Our BVAR Progress report noted that the council knows it needs to demonstrate better the link between decisions on how it uses its resources and its priorities. Actions include earlier consideration of savings proposals and more targeted engagement with individuals and communities which will be affected, as part of the council’s wider commitment to community engagement.

**Transparent reporting of financial performance**

83. The management commentary that accompanies the financial statements should help readers understand clearly how the council has performed against its budget and how this reconciles with its financial statements.

84. The council’s management commentary explains its financial performance for the year and is consistent with the financial statements. The council should continue to identify opportunities to improve the presentation of the management commentary, and more generally the financial statements, to make them more accessible to stakeholders.

85. The council’s regular budget strategy reports clearly set out the council financial position and predicted funded gaps. These reports are included in council papers and are available to the public through its website.

**Integration of health and social care**

86. The Scottish Government’s 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.

87. Clackmannanshire and Stirling Integration Joint Board (IJB) provides health and social care services across council areas. The partnership includes Clackmannanshire Council, Stirling Council and NHS Forth Valley. The financial transactions of the IJB are consolidated into the council’s group financial statements.

88. Funding the IJB is creating uncertainty about the council’s longer-term financial position. The council has agreed to make an additional payment of £0.6 million to the IJB as its contribution to resolving the IJB’s 2018/19 deficit. The council is working with its IJB partners to agree a more sustainable budget for the next three years.

89. The Care Inspectorate produced a joint report with Healthcare Improvement Scotland on the effectiveness of strategic planning in the IJB. The report found that the different governance arrangements of the partners has created challenges for the partnership’s understanding of financial accountability. The report also noted that the IJB functions as three separate financial contributing bodies.

90. Audit Scotland’s publication *Health and Social Care Integration- Update on Progress* (November 2018) sets out areas which need to be addressed if integration is to make a meaningful difference to the people of Scotland.
Part 5
Value for money

Main judgements

The council is making the investment necessary to create the conditions for change. This investment aims to improve its finances and enable it to pursue opportunities for service development.

The pace of change has increased significantly over the last year, with much to do to implement and embed the changes required for financial and service sustainability.

Value for money is concerned with using resources effectively and continually improving services.

Best Value

91. Best Value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once in this five-year period. The BVAR for the council was published in January 2018 and in its findings the Accounts Commission requested a progress report by June 2019.

92. We carried out further Best Value audit work in March and April 2019. The BVAR Progress report, which we prepared for the Accounts Commission, was published in June 2019. The report covered:

- the council’s progress in securing its financial position
- how effectively councillors and officers are leading action to address the financial position, organisational change and transformation
- an assessment of the council’s capacity for improvement, including its use of external assistance and partnership working.

93. Our report concluded that the council made limited progress in the period from the initial BVAR in January 2018 up to August 2018. This was due mainly to the delay in recruiting the new chief executive and appointing the council’s new senior management team. We found that the pace of change has increased significantly since August 2018 and the council has responded positively to the Accounts Commission’s findings. Overall, we concluded that the council has laid the foundations for improvement but still has much to do to implement and embed the changes required for service and financial sustainability.

94. The report also found that the council has taken steps to build the capacity needed to support organisational change and service redesign. The council’s chief executive, appointed in July 2018, has prioritised the new management structure and leadership development. The extended senior leadership group includes the chief executive, strategic directors and the statutory officers for finance, legal, social work and education. This is designed to widen senior officer involvement in strategic decision-making.
95. Our BVAR Progress report also highlighted that, alongside structural change, the council is working with external specialists to provide leadership development and training. The council also has plans for a corporate forum of managers to support capacity for further change across council services. The report concluded that further work is required to secure the skills and capacity needed to maintain momentum and embed change throughout the council.

96. The BVAR follow-up work was a key element of our 2018/19 audit work; other findings and recommendations from the BVAR Progress report are reflected throughout this report. This work helped informed our conclusions on financial sustainability, governance and transparency and value for money.

97. At its meeting in August 2019 the council agreed an action plan to progress the recommendations contained in the BVAR Progress report. The Accounts Commission has asked us to maintain a close interest. We will monitor the council’s progress against its action plan and the recommendations of the BVAR Progress report, which are:

- Councillors and officers should build on recent progress and work collaboratively to agree initiatives which secure transformational change, long-term savings, and service and financial sustainability.
- The council should work urgently to finalise its new management structure and proceed with organisational change, and ensure that initiatives that are in train provide the necessary capacity to support and embed change,
- The council should further develop its working relationships with local councils and others and use these to secure efficiencies in services.

Recommendation 6

The council should address the recommendations of the BVAR Progress report in its work to implement and embed the changes required for service and financial sustainability.

Following the public pound

98. Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

99. The council’s financial regulations contain a specific section on following the public pound. These emphasise that services must adhere to the council’s guidance for allocating funds to external organisations.

100. We concluded that the council has appropriate arrangements for ensuring compliance with the Code of Guidance on funding external bodies and following the public pound.

Performance management

101. The council participates in the Local Government Benchmarking Framework (LGBF). The framework aims to bring together a wide range of information about how all Scottish councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

102. The performance information from the 2017/18 LGBF was presented to the council’s audit committee in February 2019. The LGBF data showed that the council has continued to maintain service performance and customer satisfaction in key areas but the pace of improvement is slow in some areas and not evident in
others. Information is not yet available to measure the impact recent changes are having on council service performance. The council will need to monitor this closely. The council’s focus is on maintaining performance in priority areas rather than across all services.

103. The council remains the worst performing local authority for teachers’ and non-teachers’ sickness absence according to the LGBF data. The council is taking a range of actions to look behind the data and manage sickness absence, including holding all-staff events to explore the issue.

**Statutory performance indicators (SPIs)**

104. The Accounts Commission places great emphasis on councils’ responsibility for public performance reporting. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

105. For 2018/19 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value
- SPI 2: relates to the reporting of performance information as required by the [Local Government Benchmarking Framework](#).

106. Overall, we concluded that the council’s arrangements for publication are satisfactory but we identified a few areas where performance information could be more clearly presented.

**National performance audit reports**

107. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, Audit Scotland published a number of reports which are of direct interest to the council. These are outlined in Appendix 3.

108. Particular reports which the council will find helpful in addressing the challenges it faces include [Local government in Scotland: Financial overview 2017/18](#) and [Local government in Scotland: Challenges and performance 2019](#).
## Appendix 1
Action plan 2018/19

<table>
<thead>
<tr>
<th>No.</th>
<th>Issue/risk</th>
<th>Recommendation</th>
<th>Agreed management action/timing</th>
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</table>
| 1   | Housing rents reconciliation | Regular reconciliations should be performed and reconciling differences investigated.  
Paragraph 29 | Accountancy have worked closely with the Revenues team to reconcile the rent system to the financial system on a monthly basis. There was no cumulative reconciliation throughout the year but differences between both systems are investigated and adjusted on a monthly basis. Mostly these differences are due to timing with corrections taking place and being reconciled in future months. Accountancy have started a cumulative reconciliation for 2019/20.  
Responsible officer: Management Accountancy Team Leader  
Agreed date: March 2020 |
| 2   | Capital programme           | The council should implement a capital strategy which clearly sets out how it will manage and deliver its capital programme in the medium and longer term.  
Paragraph 43 | During 2019/20 the Capital operations group has been re-established, meeting every six weeks. The Group is attended by members of all services to encourage cross council working and provide a strategic overview of the capital outturn. The group also reviews the financial outturn position, considers new project bids and reviews completed projects. Foundation work is underway to develop a capital strategy and this will be taken forward by the group.  
Responsible officer: Chief Finance Officer |
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<th>No.</th>
<th>Issue/risk</th>
<th>Recommendation</th>
<th>Agreed management action/timing</th>
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</table>
| 3   | **Budget scrutiny**      | We reported last year (2017/18) that there was no final outturn report for councillors setting out details of the financial performance of the council in 2017/18. Management agreed that for 2018/19 a draft outturn report would be presented to the June 2019 audit committee. This did not happen. Officers explained that this was due to information not being available in time to meet the timetable for submitting committee papers. Officers have indicated that the outturn report will be presented to the September 2019 audit committee. 

**Risk**
The council’s finances are not adequately scrutinised and services are not held to account for their spending. | Due to Committee deadlines it was not possible to report the final outturn to the June Audit Committee. A high level outturn position was noted within the management commentary in the draft accounts along with draft reserves position. This has been updated to reflect the final position of the council. The final outturn paper will be presented alongside the final financial accounts at the September Audit Committee, which is the next Audit Committee, after June. Timelines will be reviewed for the 19/20 outturn to ensure timely consideration. 

Responsible officer: Chief Finance Officer/ Management Accountancy Team Leader |

Agreed date: March 2020 |

| 4   | **Fraud arrangements**   | The council needs to update its arrangements for the prevention and detection of fraud and corruption. This includes updating relevant policies and strategies and ensuring staff are aware how to report suspected fraud. The council is developing a new fraud prevention policy. 

**Risk**
There is an increased risk of undetected fraud. | The council should review and update its fraud arrangements and policies and ensure these are clearly communicated to staff. 

**Paragraph 59** | The Annual Governance review for 2018/19 also identified that the council’s current approaches for managing fraud are not consolidated. The responsibility for fraud has been allocated to the Senior Manager for Legal and Governance in the revised structure. Our Partnership and Performance Business Plan includes a commitment to updating the fraud policy and raising concerns at work policy and process to produce a comprehensive approach. Deployment of the new policies will be measured through next year’s annual governance review process. 

Responsible officer: Senior Manager - Legal and Governance |

Agreed date: March 2020 |
<table>
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<th>No.</th>
<th>Issue/risk</th>
<th>Recommendation</th>
<th>Agreed management action/timing</th>
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<tr>
<td>5</td>
<td><strong>National Fraud Initiative (NFI)</strong></td>
<td>The council should ensure its review of high risk NFI matches is concluded as a priority and report the outcome of NFI activity to the audit committee.</td>
<td>As the council does not have a dedicated Fraud team, matches have been prioritised. Separately to the core NFI exercise the council also participates in an exercise to identify wrongly claimed Council Tax Single Persons Discount. Priority has been given to this area as recovery of those applied in error provide direct income to the council. To date 405 of the 626 matches have been investigated, identifying 85 fraud/errors totalling £72,502. From the core NFI exercise, all 45 of the high risk Housing Benefit matches have been completed with one referred for investigation to the DWP. Other matches will be followed up in due course.</td>
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<td></td>
<td>Risk</td>
<td>Potential fraud or irregularity is not investigated.</td>
<td>Responsible officer: Internal Audit Manager and Strategic Directors. Agreed date: December 2019</td>
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<td>6</td>
<td><strong>Best Value</strong></td>
<td>The council should address the recommendations of the BVAR Progress report in its work to implement and embed the changes required for service and financial sustainability.</td>
<td>The council has welcomed the comments reported in the follow up report recognising progress to date and is committed to taking forward the actions within the action plan, continuing to build on the progress made so far since the initial report in January 2018.</td>
</tr>
<tr>
<td></td>
<td>Risk</td>
<td>The council does not make the progress required to secure its financial position.</td>
<td>Responsible officer: Strategic Leadership Team. Agreed date: Ongoing</td>
</tr>
</tbody>
</table>

**Follow up of prior year recommendations**

<p>| 7   | <strong>Submission of financial statements for audit</strong>    | The council should review its arrangements for preparing the financial statements to | We received the 2018/19 unaudited annual report and accounts and working papers in line with the timetable. |</p>
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<th>No.</th>
<th>Issue/risk</th>
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<td></td>
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<td>ensure their quality and accuracy.</td>
<td>agreed with officers. We noted fewer presentational and disclosure issues. We received a complete working papers package but a clearer audit trail could have been provided for some account areas.</td>
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<td>Last year (2017/18) was a transitional year in terms of the form and content of the annual report and accounts and coincided with changes in the staff involved in their preparation. We noted several presentational and disclosure issues which in our view could have been identified by a more comprehensive review before submission for audit. In addition, the working papers provided to support the financial statements were incomplete.</td>
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<td>Risk</td>
<td>Poor quality and inaccurate financial statements are presented for audit and to councillors.</td>
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<td><strong>8</strong> Assets under construction</td>
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<td>Our audit testing last year (2017/18) identified that the council has misclassified several assets as assets under construction in the financial statements. Construction of these assets was completed in previous years and some of the assets had been sold. Weaknesses in communication between the council’s estates and finance teams meant that the council’s fixed asset register and financial ledger had not been updated to reflect these changes. As a result, assets with a total value of £4.6 million were incorrectly disclosed as assets under construction in the accounts presented for audit.</td>
<td>The council should ensure there is clear and regular communication between the finance team and other service areas, particularly during the financial statements preparation process.</td>
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<td>Risk</td>
<td>The council is not aware of changes affecting its assets which results in errors in the financial statements.</td>
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<td><strong>9</strong> Financial management capacity</td>
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<td></td>
<td>The council should ensure the actions it is taking secure the leadership and capacity in the finance team to support</td>
<td>The council appointed a new Chief Finance Officer, and section 95 officer, in February 2019. The next stage to review</td>
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<td>No.</td>
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<td>In view of the council’s acute financial position, we highlighted last</td>
<td>effective financial management.</td>
<td>how the finance team is</td>
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<td>year (2017/18) the importance of appropriate capacity in the finance</td>
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<td>organised is underway.</td>
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<td>function.</td>
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<td><strong>Risk</strong></td>
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<td></td>
<td>The finance team does not have sufficient leadership and capacity to</td>
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<td>support effective financial management.</td>
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<td>10</td>
<td><strong>Savings plans</strong></td>
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<td>Last year (2017/18) we highlighted that the council will need to make</td>
<td>The council should build on work underway to develop savings plans to address</td>
<td>The council agreed a balanced</td>
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<td>difficult decisions to achieve financial balance in the medium term.</td>
<td>the substantial funding gaps it has identified in each of the next three</td>
<td>budget for 2019/20. The BVAR</td>
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<td>years.</td>
<td>Progress report found it is</td>
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<td>taking forward actions to</td>
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<td>secure its financial position.</td>
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<td>These include earlier</td>
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<td>consideration of savings</td>
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<td>proposals through its change</td>
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<td>programme board and more</td>
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<td>targeted engagement with</td>
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<td>individuals and communities.</td>
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<td><strong>Risk</strong></td>
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<td>The council is unable to deliver priority services.</td>
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<td>Ongoing</td>
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<td>11</td>
<td><strong>Organisational change and transformation</strong></td>
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<td>Last year (2017/18) we reported that the council needed to take the</td>
<td>The council should build on work already underway and take the next steps to</td>
<td>The BVAR Progress report</td>
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<td>next steps to translate structural change into savings and new ways</td>
<td>secure the changes needed to address its acute financial position.</td>
<td>found that the council’s pace</td>
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<td>of working that will improve its financial position. We noted that</td>
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<td>of change has increased</td>
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<td>the 2019/20 budget will be a crucial test of the council’s ambition</td>
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<td>significantly since August</td>
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<td>for transformational change.</td>
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<td>2018 and it is taking steps to</td>
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<td>secure the capacity it needs to</td>
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<td>maintain this momentum. The</td>
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<td>council still has much to do</td>
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<td>to implement and embed the</td>
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<td>changes required for service</td>
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<td><strong>Risk</strong></td>
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<td>and financial sustainability.</td>
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<td>The council does not make the transformational change necessary to</td>
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<td>secure its financial position.</td>
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<td><strong>Ongoing</strong></td>
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Appendix 2
Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the Code of Audit Practice 2016.

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Assurance procedure</th>
<th>Results and conclusions</th>
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<tbody>
<tr>
<td><strong>Risks of material misstatement in the financial statements</strong></td>
<td></td>
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</tbody>
</table>
| **1** Risk of management override of controls | Detailed testing of journal entries.  
Review of accounting estimates.  
Focused testing of accruals and prepayments.  
Evaluation of significant transactions that are outside the normal course of business.  
Detailed testing of pre and post-year end income and expenditure to ensure it is recognised in the correct financial year. | We tested journals, accounting estimates, accruals and prepayments and reviewed accounting estimates. We did not identify any material errors.  
We found no evidence of transactions outside the normal course of business or management override of controls.  
We did not identify any issues from our testing of pre and post-year income and expenditure. |
| **2** Risk of fraud over income | Analytical procedures on income streams.  
Detailed testing of revenue transactions focusing on the areas of greatest risk. | Our analytical procedures and substantive testing found no instances of fraud over income.  
We tested a sample of high-value revenue transactions and did not identify any issues. |
| **3** Risk of fraud over expenditure | Analytical procedures on expenditure streams.  
Detailed testing of expenditure transactions focusing on the areas of greatest risk.  
Review the council’s participation and progress in the 2018/19 National Fraud Initiative. | Our analytical procedures and substantive expenditure testing found no instances of fraud over expenditure.  
The council has reviewed eight per cent of matches identified in the NFI exercise. We expected that all high-risk matches would have been given priority and investigated for fraud or error. We note that separately to the core NFI exercise the council also participates in an exercise to identify wrongly claimed council |
Appendix 2 Significant audit risks identified during planning

<table>
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<tr>
<th>Audit risk</th>
<th>Assurance procedure</th>
<th>Results and conclusions</th>
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<tbody>
<tr>
<td>4 Estimation and judgements</td>
<td>Detailed testing of non-current asset balances focusing on the areas of greatest risk. Assessment of the scope, independence and competence of the professionals engaged in providing estimates. Review appropriateness of actuarial results including comparison with other councils. Assessment of the appropriateness of the actuarial assumptions. Establish officers’ arrangements for assessing the impact of any movement in fund values between the IAS19 valuation date and the year end.</td>
<td>We found no significant issues from our substantive testing of non-current asset additions, disposals, transfers and assets under construction. We reviewed the work of the actuary and the valuer and did not identify any issues. We reviewed the appropriateness of the actuarial results and assumptions and did not identify any issues. The council received an updated IAS 19 report from the actuary after the unaudited annual accounts were presented to audit. The updated figures were based on actual asset returns. These figures have been used in the audited, signed accounts.</td>
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Risks identified from the auditor’s wider responsibility under the Code of Audit Practice

<table>
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<tr>
<th>5 Financial sustainability</th>
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<tr>
<td>Assess the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term.</td>
<td>The council regularly reviews its financial position. Councillors receive budget strategy reports which update them on predicted funding gaps. The council agreed a balanced budget for 2019/20. The BVAR Progress report found it is taking forward actions to secure its financial position. These include earlier consideration of savings proposals through its change programme board and more targeted engagement with individuals and communities. The report also found that the council acknowledges it needs to demonstrate better the link between decisions on how it uses its resources and its priorities.</td>
<td></td>
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<tr>
<td>Audit risk</td>
<td>Assurance procedure</td>
<td>Results and conclusions</td>
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<tr>
<td><strong>6 Organisational change and transformation</strong></td>
<td>Review and conclude on the council’s progress in implementing the January 2018 Best Value Assurance Report recommendations and the Accounts Commission’s findings. Assess how the council has assured itself that its financial capacity and skills are appropriate.</td>
<td>The BVAR progress report concluded that the council has responded positively to the Accounts Commission’s findings. But the report found it still has much to do to implement and embed the changes required for service and financial sustainability. The council appointed a new Chief Finance Officer, and section 95 officer, in February 2019. The next stage to review how the finance team is organised is underway.</td>
</tr>
<tr>
<td><strong>7 Openness and transparency</strong></td>
<td>Review whether the management commentary has been compiled in accordance with the appropriate regulations and guidance. Assess the quality and timeliness of financial and performance reporting.</td>
<td>We have confirmed that the management commentary complies with appropriate regulations and guidance. Officers did not prepare a final outturn report for the June audit committee. Officers explained that this was due to information not being available in time to meet the timetable for submitting committee papers. Officers have indicated that the outturn report will be presented to the September 2019 audit committee.</td>
</tr>
</tbody>
</table>

The council is progressing a programme of change to achieve savings and improve services. It is implementing new management structures and is taking steps to introduce a programme management function. The next stage to review services to determine the level at which they are most effectively and efficiently delivered is underway. In our 2017/18 annual audit report we highlighted capacity issues which may be directly associated with the changes taking place, these particularly affected the finance section.

There is a risk that the council does not have sufficient officer time and skills to support change and the day-to-day running of the council. This includes ensuring the council’s policies and procedures are updated to reflect new arrangements.

There is increasing focus on how public bodies spend their money and the level of transparency in reporting. Openness and transparency supports understanding and scrutiny of the use of public money.

The management commentary, published alongside the annual accounts, is intended to provide readers with an understandable analysis of the council’s performance. Clear and timely financial performance reporting also supports openness and transparency. In our 2017/18 annual audit report we reported that management did not prepare a final outturn report for councillors setting out details of the council’s financial performance in 2017/18.

There is a risk that the council does not provide sufficient information to allow adequate scrutiny of its finances.
## Appendix 3
Summary of national performance reports 2018/19

<table>
<thead>
<tr>
<th>Month</th>
<th>Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr</td>
<td>Local government in Scotland: Challenges and performance 2018</td>
</tr>
<tr>
<td>May</td>
<td>Councils’ use of arm’s-length organisations</td>
</tr>
<tr>
<td>Jun</td>
<td>Scotland’s colleges 2018</td>
</tr>
<tr>
<td>Jul</td>
<td>Scottish Fire and Rescue Service: an update</td>
</tr>
<tr>
<td>Aug</td>
<td>The National Fraud Initiative in Scotland 2016/17</td>
</tr>
<tr>
<td>Sept</td>
<td>Forth Replacement Crossing</td>
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<tr>
<td>Oct</td>
<td>Major project and procurement lessons</td>
</tr>
<tr>
<td>Nov</td>
<td>Children and young people’s mental health</td>
</tr>
<tr>
<td></td>
<td>Superfast broadband for Scotland: further progress update</td>
</tr>
<tr>
<td>Dec</td>
<td>NHS in Scotland 2018</td>
</tr>
<tr>
<td>Jan</td>
<td>Local government in Scotland: Financial overview 2017/18</td>
</tr>
<tr>
<td>Feb</td>
<td>Health and social care integration: update on progress</td>
</tr>
<tr>
<td>Mar</td>
<td>Local government in Scotland: Challenges and performance 2019</td>
</tr>
</tbody>
</table>

### Local government relevant reports

- **Local government in Scotland: Challenges and performance 2018** – April 2018
- **Councils’ use of arm’s-length organisations** – May 2018
- **Health and social care integration: update on progress** – November 2018
- **Local government in Scotland: Financial overview 2017/18** – November 2018
- **Local government in Scotland: Challenges and performance 2019** – March 2019