Our audit opinion

Element of opinion	Basis of our opinion	Conclusions
Financial statements ▶ Truth and fairness of the state of affairs of the Group and Council at 31 March 2022 and its expenditure and income for the year then ended ▶ Financial statements in accordance with the relevant financial reporting framework	We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement. We are satisfied that accounting policies are appropriate and estimates are reasonable We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.	*[We issued an unqualified audit opinion on the 2021/22 financial statements for the Council and its Group.]*
Going concern ▶ We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting	We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis. Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.	In accordance with the work reported on page 23, our audit opinion is unqualified in this respect.
Other information ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit	We conduct a range of substantive procedures on the financial statements. We conduct a range of substantive procedures on the financial statements and our conclusion draws upon Review of committee and board minutes and papers, regular discussions with management, our understanding of the Council and the wider sector.	We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.
Matters prescribed by the Accounts Commission ▶ Audited part of Remuneration Report has been properly prepared. ▶ Management Commentary / Annual Governance Statement are consistent with the financial statements and have been properly prepared.	Our procedures include: ▶ Reviewing the content of narrative disclosures to information known to us. ▶ Our assessment of the Annual Governance Statement against the *Delivering Good Governance* Code.	*[We issued an unqualified opinion.]*
Matters on which we are required to report by exception	We are required to report on whether: ▶ there has been a failure to achieve a prescribed financial objective, ▶ adequate accounting records have been kept, ▶ financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or ▶ we have not received the information we require.	We have no matters to report.

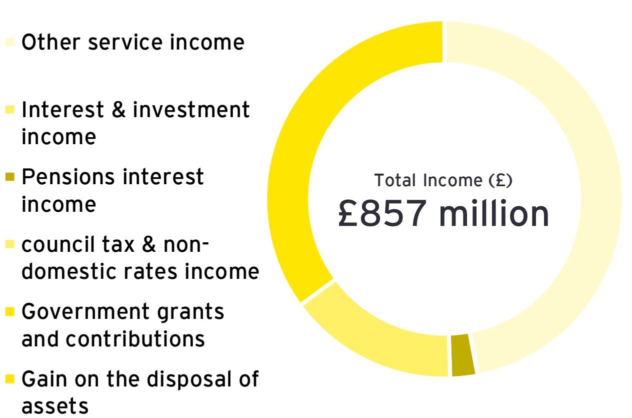
Significant and fraud audit risks

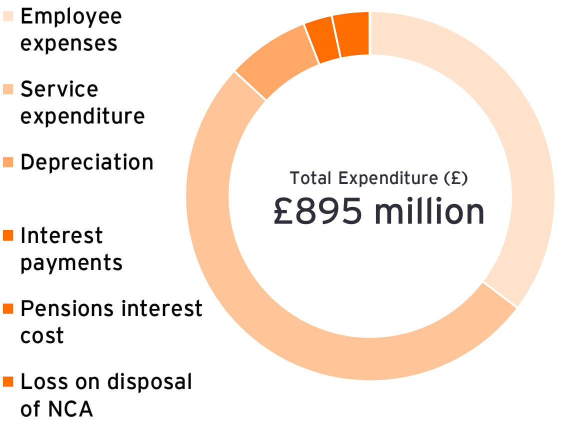
What is the Risk of Fraud in income and expenditure recognition

As outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

In our audit planning, we rebutted the risk of improper recognition of core grant funding income from the Scottish Government, as well as in respect of council tax and non-domestic rate income because there is no judgement in respect of these income streams. We also rebut the risk around payroll expenditure recognition. We have outlined below how our assessment impacts our testing strategy on the Council's financial statements.

Exhibit 1: Key components of the Council's income and expenditure





Source: 2021/22 Financial Statements: Note 8 Expenditure and Income analysed by nature

For both income and expenditure we focus on the risk in relation to the occurrence, completeness and measurement of income and expenditure recognised around the financial yearend through the process of yearend accruals. For income we also focus on the recognition of grant income where there are conditions attached to the recognition, and on the treatment of capital grant income to ensure it is not accounted for as revenue.

Our work included:

- Review and challenge management's accounting estimates on revenue or expenditure recognition for evidence of bias.
- Focusing our testing on income and expenditure recognised around the financial yearend through manual journals and accruals raised by management.
- Search for material payments and receipts received after year end and ensured these had been accounted for in the correct period.

Our Audit of Other Income and Expenditure

We undertook walkthroughs in respect of the processes management established to account for material income and expenditure streams. We obtained data downloads from the Council's financial ledger to allow us to trace key transactions from initiation to recording in the financial statements.

Other audit procedures: non-significant risk areas:

Council tax income: We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder system.

Non Domestic Rates: We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system. We also audit the Council's NDR grant return to the Scottish Government to ensure that reliefs have been applied appropriately.

Non ring-fenced grant income: We substantively tested these balances to grant confirmation letters from third parties.

Interest income: We agreed balances to bank statements and other third party reports.

Employee expenses: We established expectations of payroll costs in the year based on staff numbers and salary movements, and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions.

Depreciation, amortisation & impairment: We undertook testing of these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.

Pension costs: We have outlined our consideration of the valuation of pension assets and liabilities held by the Council on page 21. In respect of all pension transactions impacting the CIES we agreed these journals to the underlying IAS 19 report prepared by the Council's actuary.

Audit of Covid-19 grant income and expenditure

2020/21 was the first year where income and expenditure transactions were materially impacted by Covid-19. In 2021/22, the Council received £11 million from the Scottish Government related to Covid-19 to support the Council in meeting its additional costs, local businesses and the wider public. The material nature of the additional funds created a new income stream for audit consideration in the prior year.

Additional funding continued into 2021/22 and therefore continues to be an area of focus. Our audit work focused on:

- Reviewing the arrangements the Council had implemented to manage the processing, monitoring and reporting of the new income, including addressing the risk of misappropriation and fraudulent claims. Our work and conclusions here are outlined in more detail in the financial management section of our wider scope reporting.
- Assessing management's accounting treatment of the income and expenditure against the requirements of IFRS, the CIPFA Code and the specific LASAAC guidance issued in the year. We particularly focused on whether income and related expenditure had been correctly categorised as the Council being a "principal" or "agent" in the transaction.
- Selecting a risk based sample of grants to agree to supporting evidence, in the form of bank receipts, grant awards and other notifications, including the details of the grant award conditions, where relevant.
- Review of the disclosures made by the Council in the financial statements to ensure they met both accounting requirements and more generally were sufficient to allow readers to understand the nature of the activity in the year given the significance to the Council.

Our conclusions

- Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas where we disagreed with management over the accounting treatment.
- We identified no matters to report in relation to the Council's accounting for Covid-19 grant income and related expenditure in the year.

Risk of Misstatement due to Fraud or Error

Our Annual Audit Plan recognised that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of Fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular we considered:

- Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- Journals transferring funds between useable reserves and restricted or separated accounts such as HRA accounts; and
- Journals adjusting between income and expenditure accounts and capital accounts.

We identified no unusual journals which could not be explained by management or which indicated any additional risk of fraud.

Our conclusions

- We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

Judgements and Estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and is applicable to the 2020/21 audit for the first time. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to defined benefit pension schemes (outlined on page 21 of this report); and
- areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 17 of this report).

Our procedures included:

- Testing management's process method, key assumptions, data;
- Testing management's process-estimation uncertainty;
- Considering evidence from events up to the report date; and
- Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias as outlined above, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these, as outlined earlier in this report.

Accounting Policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under the Code.

Our conclusions

- We did not identify any areas of significant estimation or judgement as part of our audit work in these areas where we disagreed with management over the accounting treatment.
- There were no significant accounting practices which materially depart from what is acceptable under the Code.

Valuation of Property, Plant and Equipment

The valuation of PPE remained an inherent audit risk, but we recognised a significant risk over Infrastructure assets as a result of a record-keeping valuation issue identified nationally.

The Council's property, plant and equipment (PPE) portfolio totals over £1.2 billion of assets (2021: £1.2 billion). The valuation of these assets requires expertise and significant estimation. To meet the requirements of the CIPFA Code of Practice, the Council values its property, plant and equipment on at least a 5-yearly cycle. A significant proportion of the Council's estate was subject to revaluation in 2020/21 and as a result, in the current year, fewer assets were due to for review in line with the Council's 5-yearly cycle. Social Work Assets (£9.5 million) were revalued and Council Dwellings (£493 million) were subject to a desktop impairment review during 2021/22.

The valuation of property, plant and equipment was assigned an inherent audit risk within our audit plan and this remained the case for our year-end audit procedures, with the exception of the significant risk identified over Infrastructure Assets (see Page 19). Our work over Property, Plant and Equipment focussed on the following areas:

- Considering the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample testing key asset information used by the valuers in performing their valuation based on both size of asset value and our consideration of risk assigned to each valuation (e.g. floor plans to support valuations based on price per square metre).
- Auditing management's assessment of assets not subject to valuation in the year to confirm that there were no indicators that earlier revaluation was required to prevent material misstatement of each class of asset.
- Completion of procedures designed to address the requirements of the revised ISA 540, as outlined earlier.
- We found that the value of the Council's Municipal Buildings had not been updated as at 31 March 2022 to reflect the planned demolition works to be carried out on the site. The site was subject to revaluation in August 2022 by the District Valuer on the assumption that the site will be redeveloped for affordable housing. We were satisfied that the carrying value was not materially different to the updated valuation, but understand that the fixed asset register will be updated on this basis for financial year 2022/23.
- We identified one audit difference in relation to the valuation of PPE in 2021/22, outlined in Appendix E. This related to double counting of an asset in the Fixed Asset Register resulting in a £0.8 million overstatement.

Valuation of Property, Plant and Equipment (continued)

Recommendation 2: The Council should review the communication arrangements between Property Services and the Finance Team to ensure that up to date assessments of assets are available, allowing impairment reviews to be completed where required.

We noted in previous years that the Council's overarching process for valuation of its property, plant and equipment was showing improvements. However, in 2021/22 we noted a number of areas for improvement:

- Records for capital retentions had not been adequately maintained resulting in some minor immaterial errors;
- The quality of descriptors used in the Fixed Asset Register is inconsistent, any we experienced difficulties in identifying specific assets and their corresponding net book value at year-end; and
- The process for identifying asset impairment could be improved through more regular communication between the Property Services and Finance teams. Currently, impairments are identified through the cyclical revaluation process but this does not capture impairments which take place in intervening years. Although not material (both fell below our reporting threshold), we identified two assets which had become impaired in 2019 and 2020 as a result of significant repairs being required, but which finance were not aware of until they were identified through our audit procedures.

We do, however, note that management has taken on board previous feedback and recommendations in respect of reviewing the frequency of the valuation cycle to ensure asset values do not materially change in intervening years between revaluations.

Our conclusions

- We identified one audit adjustment related to the Council's valuation of assets in 2021/22 which the Council has chosen not to adjust.
- We concluded that management has undertaken sufficient procedures to identify any further assets which should be revalued before their cycle valuation date.
- The process for identifying asset impairment could be improved through better communication between the Property Services and Finance teams.

Infrastructure Assets

Recommendation 3: The statutory override is intended to be a short-term solution to issues in respect of accounting for infrastructure assets. The Council should ensure that greater detail on infrastructure assets is retained moving forward and appropriate consideration is given to disposals and replacements of infrastructure assets.

The CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom (the Code) requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Due to these assets being difficult to componentise and there often not being a clear linkage between spend and an identifiable asset, councils often capitalise schemes of expenditure and depreciate over an estimated economic life. Assets are removed from the financial statements ("derecognised") when depreciated to nil, with there rarely being an exercise performed to derecognise the actual asset being replaced. It is possible that asset lives can therefore significantly vary from their estimated life.

Local government auditors raised concerns that Code requirements were not being adhered to particularly in respect of subsequent expenditure on infrastructure assets. The Code requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset. However, largely due to data limitations, it is believed that most local authorities have been unable to comply with the requirement. Due to the information deficits in respect of infrastructure assets, further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date.

CIPFA LASAAC has been unable to find a solution that will both satisfy audit concerns and the requirement for high quality financial reporting. The Scottish Government however agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code. This temporary solution has been issued with the expectation that local authorities will begin to address information deficits to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements once a permanent solution is agreed.

The override was issued on 29 August 2022 and has two areas:

- Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024, the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent amendment shall be made to the carrying amount with respect to that part.

Local authorities can choose to adopt either or both of the statutory overrides.

The Council holds infrastructure assets of £140 million (2020/21: £130 million) and therefore this is a material balance within the financial balances. The Council elected to adopt both statutory overrides resulting in changes to disclosures in the financial statements in respect of infrastructure assets. The Council additionally undertook an extensive exercise to determine the records available dating back to 2010. From 2016/17, the Council has been maintaining more granular information within the fixed asset register and supporting workings.

In response to this emerging risk area, we performed the following procedures:

- Enhanced our understanding of the Council's processes for accounting for infrastructure assets, including how information is recorded on the fixed asset register and the process the Council has for identifying replacement assets.
- Performed additions testing over new infrastructure assets in year.
- Analysed the entries in the fixed asset register and reviewed supporting documentation including an analysis of spend back to 1 April 2010.
- Evaluated the continued existence of infrastructure assets at the balance sheet date through detailed testing.
- Assessed the accuracy and completeness of disclosures in respect of infrastructure assets including overrides applied.

Our conclusions

- We are satisfied that management's disclosures in respect of infrastructures assets are in line with the statutory guidance.
- We note that while management has undertaken significant work to support the existence of infrastructure assets, further information is likely to be required to support any permanent solutions and therefore management should look to build on work performed during the audit fieldwork.

Other inherent audit risks

Our Annual Audit Plan highlighted additional areas of inherent risk. We identified no further areas of risk as part of our audit procedures. The results of our procedures on inherent risk areas are summarised below.

Valuation of pension liabilities

The Council's net pension liability, measured as the sum of the present value of the long term payments due to members as they retire against the Council's share of the Falkirk Pension Fund investments, is a material balance in the Council's financial statements. At 31 March 2022 the net liability totalled £243.9 million (2021: £409.8 million). The pension figures included in the financial statements are those that are prepared annually for accounting purposes as required by IAS 19. The funding of the scheme and the determination of employer contributions is determined with reference to the triennial valuations carried out by the scheme actuary. The last triennial actuarial valuation, in 2020, assessed the overall funding position to be 94% (2017: 92%)

Accounting for this scheme involves significant estimation and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the IAS 19 report issued to the Council by its actuary. We have outlined on the previous page our requirement to consider this estimate in line with the requirements of ISA 540. In particular, for the valuation of pension assets and liabilities we are required to undertake procedures on the use of management experts, the assumptions underlying fair value estimates, and the valuation of the Council's share of scheme assets and liabilities at the year end.

Our audit work focused on the following areas of judgement within these balances included:

- Auditing the reasonableness of the underlying assumptions used by the Council's actuary, including those associated with recent developments in relation to the various ongoing equalisation case judgements such as the GMP, McCloud and Goodwin rulings.
- Ensuring the information supplied to the actuary in relation to the Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- Considering the findings of the appointed auditor of the Falkirk Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council, in particular in relation to the valuation of the Pension Fund assets at 31 March 2022.
- Auditing the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.

Our conclusions

- The assumptions used by the actuary were reviewed by our EY actuarial team who concluded that the assumptions and methodology used are considered to be within a range which is appropriate.
- The auditor of the Falkirk Pension Fund reported no material differences in the valuation of assets held by the Fund.

Financial flexibilities

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

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

The capital receipts and loans repayment holiday are only to be used for the purposes of addressing Covid-19 related costs, whereas the change to PPP accounting may provide a wider flexibility. Local authority Directors of Finance and COSLA have been liaising with the Scottish Government to clarify the practicalities of the flexibilities. The revised legislation for capital receipts and loans repayments was considered by the Local Government and Communities Committee in February 2021 where there was committee support. In May 2022, the Scottish Government agreed to extend the loans fund repayment deferral flexibility for a further year.

The options in respect of flexibilities have been reported to Council throughout the year, as guidance has developed. The latest position on flexibilities was reported to Council in August 2022 which noted that the loans fund repayment holiday was used in 2021/22. In respect of the service contract concessions, the Council is reviewing the latest statutory guidance in place to fully evaluate the accounting treatment and any associated financial provisions that may be used to support the budget position in 2023/24.

We worked with the Council to ensure appropriate financial statement disclosures were in place with respect of planned and actual use of financial flexibilities.

Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. In accordance with the CIPFA Code of Practice on Local Government Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, the ongoing cost of living crisis and inflationary pressures, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements to October 2023. We note that the going concern period extends beyond the period for which an agreed financial plan is in place and therefore, we have focused on the assumptions made by management in the period between April 2023 and October 2023.

Management's going concern assessment reported that the Council shall prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. It reported significant access to cash to support the cost of delivering services, with balances more than sufficient to cover a plausible downturn in Council income from variable sources, and access to other useable reserves in committed funds which could be reallocated as necessary. On this basis the Council concluded that there are no material uncertainties around its going concern status.

Our conclusions

- We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key Council reports and treasury management forecasts of future cash balances. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council, or of the wider Group where they are material to the consolidated financial statements.
- We worked with management to enhance the disclosures in the financial statements in relation to the Council's future financial performance and ongoing work in respect of the revised medium term financial plan.

Looking ahead

The implementation of IFRS 16 has been delayed until 1 April 2024 however early adoption is permitted.

The Council finance team has previously performed an initial assessment of the impact of the change on the Council's financial statements which will be revisited once an adoption date is agreed.

CIPFA/LAASAC Code for 2022/23

Local authorities are required to keep their accounts in accordance with 'proper (accounting) practices'. Public sector organisations responsible for locally delivered services are required by legislation to comply with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The most significant change to the Code for 2022/23 relates to IFRS 16.

We have reported in previous years that IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 has been delayed on a number of occasions in local government financial statements for various reasons. Most recently, CIPFA/LASAAC conducted an emergency consultation on the Code for both 2021/22 and 2022/23 in March 2022. This resulted in a further deferral to the implementation of IFRS 16 until 1 April 2024. However early adoption will be permitted from either 1 April 2022 or 1 April 2023.

While implementation has been further delayed, the Code strongly encourages early adoption and therefore all finance teams are encouraged to continue their preparations for implementation and to ensure that they are ready to adopt the standard in the next three years.

We have outlined previously that full compliance with the revised standard is likely to require a detailed review of existing leases and other contract documentation prior to the implementation date in order to identify:

- all leases which need to be accounted for;
- the costs and lease term which apply to the lease;
- the value of the asset and liability to be recognised as at 1 April; and
- where a lease has previously been accounted for as an operating lease.

Work is therefore necessary to prepare information required to enable the Council to fully assess their leasing position and ensure compliance with the standard.

We have discussed progress in preparing for the implementation of *IFRS 16 Leases* standard with the finance team over the course of the past few audits and are satisfied robust arrangements were being established to assess the impact of the changes for inclusion in the financial statements.

Best Value and Wider Scope dimensions

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

Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the Council's arrangements for the four wider scope audit dimensions. We also draw upon these assessments and other work to form conclusions on the Council's ability to demonstrate Best Value in its activities. In undertaking our work in respect of the wider scope audit dimensions, we also integrate our assessment of the Accounts Commission's five Strategic Audit Priorities.

During 2021/22, we have considered the Council's progress against the improvement plan it developed in response to the Best Value Assurance Report, published by Audit Scotland in January 2022.

We apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditors, and the other scrutiny bodies that we work with on the Local Area Network including Education Scotland and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. As the appointed auditor, we are the LAN Lead. The LAN determined, in agreement with the Council, that no separate scrutiny plan was required for 2021/22.

For each of the dimensions, we applied a RAG rating, which represents our assessment on the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

- **Financial Sustainability:** Considers the medium and longer term outlook to determine if planning is effective to support service delivery.
- **Financial Management:** Considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Governance and Transparency:** Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.
- **Value for Money:** Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.