

Best Value

**Our overall
assessment:
Amber**



Forming our judgement

As appointed auditor, we are required to comment on how effectively, in our view, the Council demonstrates that it meets its Best Value responsibilities. In forming this judgement, we draw upon:

- ▶ The findings of Audit Scotland's Best Value Assurance Report (BVAR), which was published in January 2022;
- ▶ The Council's improvement plan which was developed in response to the BVAR and was approved in February 2022; and
- ▶ The programme of work that we have conducted throughout our appointment to consider each area of Best Value. Our specific area of focus in 2021/22 is in relation to the Council's approach to sustainability. We also take into account our wider scope responsibilities and reporting.

The Council's Response to the Best Value Assurance Report

The BVAR concluded that the Council has demonstrated improvement in performance in some key services but that overall the pace and depth of improvement since the previous Best Value audit report in 2018 has not been sufficient to achieve the level of transformational change needed to address future budget gaps.

The Accounts Commission has indicated that the Council will be visited early in the next programme of Best Value reviews, likely to be in 2023. As a result, our Best Value work in 2021/22 has focused on following up the achievement of the improvement plan that was agreed in February 2022.




As Exhibit 8 highlights, we reviewed the progress against actions that were due to be completed by September 2022. The Council considered a progress update in August 2022 which indicated that the majority of the actions due for completion at that time were complete or on track. We have reviewed the actions due and while the significant work plan was completed, in most instances we were unable to conclude that the required impact has been demonstrated to date:

- ▶ Within our conclusions on Financial Sustainability, we note that the Council faces an unprecedented financial challenge. The ability of elected members and officers to work together on the Financial Strategy Group to deliver savings in a planned and prioritised way will define the success or failure of the Council in supporting its communities.
- ▶ Within Value for Money we note that there remains significant scope for improvement on public performance reporting.

Further Best Value Follow Up work will be the focus of the Council's incoming external auditor, Audit Scotland. We will meet with the newly appointed auditor to share information and evidence in a handover meeting planned in November 2022.

Exhibit 8: Our assessment of progress against the Council's February 2022 Strategic Action Plan

Theme and Agreed Actions	Timescale	Our overall assessment	Commentary
1. Elected members and senior officers need to work more constructively together to lead the council more effectively and decisively.			
<ul style="list-style-type: none"> Ensure a comprehensive induction programme is developed for all members. Develop a cross-Council understanding of what 'collaborative leadership' means for officers and elected members Define what is required by members and officers to deliver Best Value Develop a new Corporate Plan and supporting Business Plan. 	Sept 2022		The Council has pursued a range of actions to develop closer working across leadership groups, including support from external parties. The Council Plan has been developed and approved in line with timescales but there is not yet plan in place to deliver financial sustainability. At this stage, it is too early to assess whether collaborative working and leadership is sufficiently developed to achieve the level of savings required.
2. It is crucial that the council makes far greater progress in delivering its transformation programme and in making savings, given the scale of the challenge it faces.			
<ul style="list-style-type: none"> Review the transformation programme and identify elements that are working. Remove the elements that do not significantly add value, find solutions to the barriers that have previously emerged, and create a faster delivery and decision-making framework Harness the resources of the PMO and Change Fund to support priority projects Review and improve the milestones used to monitor progress within each project Review and strengthen the way transformation projects are reported to Council Review additional areas that are suitable for transformation. 	Sept 2022		We have noted within Financial Sustainability that the COTF programme has been subject to review and significant change. While the PMO has been reduced, no assessment has been made of the return on investment of the Change Fund. While likely to be more realistic, the savings planned to be delivered from transformation continue to reduce and now represent only 14% of the budget gap. It is too early to assess the impact of the updated governance structure, including the role of the Financial Strategy Group.
3. The council should continue to improve its approach to reporting performance to elected members and the public to support more effective scrutiny.			
<ul style="list-style-type: none"> Review and refresh performance indicators to reflect what's in the new Corporate and Business Plans Remove duplication of reporting and make sure all Council reporting is meaningful, clear and simple to understand. 	Sept 2022		<p>While significant work has been undertaken to prepare the Council Plan, and associated performance measures, we note in Value for Money that further improvement is required.</p> <p>In our view the structure of reports to report on performance do not support effective scrutiny.</p>

Theme and Agreed Actions	Timescale	Our overall assessment	Commentary
4. The Council needs to better manage its capital programmes to deliver planned projects.			
<ul style="list-style-type: none"> ▶ Undertake a comprehensive review of the Capital Plan to ensure proposals are free of optimism bias. ▶ Review Council-wider governance arrangements for the Capital Programme ▶ Identify and develop projects within the Capital Plan that can be accelerated to mitigate against unexpected slippage ▶ Create and embed the Invest Falkirk service area to deliver on major capital programmes 	Sept 2022		<p>The Council has undertaken significant work, both to reprofile the capital plan and to establish the Strategic Asset Modernisation Board.</p> <p>The Council also considered the need to review the Capital Strategy and Plans in the context of the financial challenge set out in the Financial Strategy. While this remains a challenging area, the work to date provides the groundwork to help the Council to develop a robust and achievable capital programme in future years.</p>
8. The council needs to ensure that it can deliver the benefits envisaged from bringing the services provided by the Falkirk Community Trust in-house.			
<ul style="list-style-type: none"> ▶ Building on the positive joint work over recent months of the Programme Management Group, ensure that Falkirk Community Trust staff, services, projects and assets are successfully integrated into the Council ▶ Ensure that the potential opportunities and benefits of integration are used as a basis for transformation 	Sept 2022		<p>While difficult decisions remain ahead, we were satisfied that the integration has been managed well to date.</p>
9. The council should act to fully embed equalities across the council and comply with statutory requirements.			
<ul style="list-style-type: none"> ▶ Refresh existing equalities working group with identified equalities leads for each directorate ▶ Establish strategic leadership at all levels across the council ▶ Develop an ambition to address inequality in every aspect of our work and undertake benchmarking to learn from other organisations. ▶ A refreshed approach to equalities practice, including training and performance monitoring. 	Sept 2022		<p>Work is underway to strengthen the Council's approach to equalities, but we were unable to conclude that each planned action had yet been delivered.</p> <p>A refreshed Equalities Group is in place, co-Chaired by the Chief Officer of Falkirk IJB, and the Council's Chief Governance officer.</p>

The Scottish Government has set a target to be net-zero by 2045; 5 years ahead of the UK target.

Falkirk Council has committed to an ambitious target to achieve net zero on its buildings, energy and transport emissions by 2030.

Climate Change and Sustainability

In October 2021, the Council published the Falkirk Plan 2021-2030, which sets out a vision framework for all community planning partners. The vision reflects the area's current status as a major contributor to emissions, due to the location of the significant petrochemical plant in Grangemouth. As a result, the partnership has recognised that co-ordinated action is required at pace to deliver Falkirk's contribution to the Scotland Government's target to be net-zero by 2045.

The Falkirk/Grangemouth growth deal is expected to help make a significant contribution to the Partnership's plans for a 'Just Transition.' Proposals include a programme of investment for a Carbon Dioxide Utilisation Centre, Bioeconomy Accelerator Pilot Plant to help chemical industry change reliance on fossil fuels to the use of renewable resources and waste streams.

Further investment in a sustainable transport hub, including a centre for excellence in green bus technology and community owned solar energy aims to drive inclusive and sustainable growth for communities.

Climate Emergency Action Plan

The Council declared a Climate Emergency in August 2019. It set an ambitious target to be net-zero by 2030 for its own activities. During 2021/22, the Council reviewed current legislative targets and how they apply to Council service delivery. An updated Climate Emergency Action Plan 2022-30 was prepared and approved by the Executive in February 2022. In October 2022, the Council outlined plans to develop a new Climate Emergency Strategy, which recognised the scale of the challenge ahead.

As a result of the recent intense focus on climate change and sustainability we noted a number of areas of good practice including:

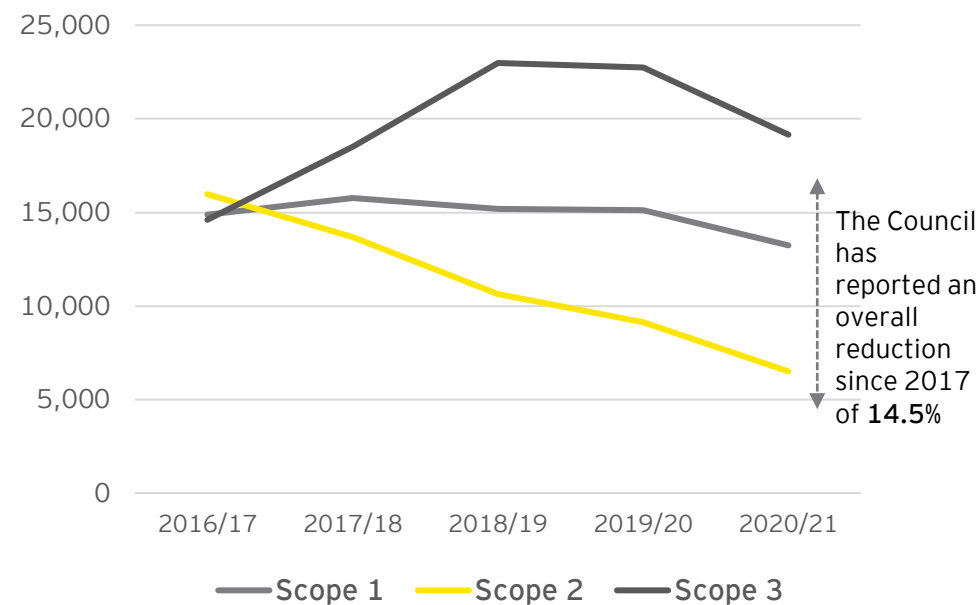
- ▶ The appointment of a Portfolio Holder with a specific focus on Climate Change;
- ▶ An updated report template for decision papers presented to Council and Committees, which includes the quantification of the carbon impact of each decision;
- ▶ The introduction of carbon budgeting to allocate and monitor emissions allowances by service area;
- ▶ A focus on climate change throughout the Capital Strategy, including a review of the vehicle replacement programme to a sustainable fleet, and energy efficiency measures throughout schools and in council offices and dwellings.

Measuring and reporting emissions, including via carbon budgeting, is essential to help the Council to reduce its greenhouse gas emissions.

This is an area where measurement standards and reporting requirements will continue to develop.

- Scope 1 emissions are direct emissions that are released into the atmosphere from sources that are owned or controlled by the Council.
- Scope 2 emissions are indirect emissions from the generation of purchased energy, which for most organisations are primarily emissions released during the generation of the electricity it uses.
- Scope 3 emissions are all other indirect emissions that occur because of an organisation's activities but from sources not owned or controlled by the Council.

Exhibit 7: The Council reports within its annual climate duties report that it has reduced emissions by over 14% since 2017



Source: Annual Report on Compliance with Climate Change Duties submitted to the Scottish Sustainability Network

While the Council has met its public duty to report to the Sustainable Scotland Network, we note that there are not yet any arrangements to validate or peer review the levels of emissions reported. The Council reports on a number of aspects of climate action within regular reporting to the Executive. However, it is difficult for elected members to assess the progress against the 2030 carbon neutral target, and therefore whether it is likely to be achievable based on current levels of investment.

We do, however, note that the Council has recognised that current projects will be insufficient to meet its target by 2030. The Capital Strategy notes that the required level of investment necessary to deliver target is £75 million, against a current investment level of £10 million. Recent changes to planned scrutiny activity, and the decision to remove climate change from the COTF programme present a further risk to delivery of the targets by 2030.

Looking ahead: Sustainability Reporting

Significant advances have been made in sustainability reporting in the corporate sector and central government sectors over a number of years. There are not yet any mandatory emissions measurement and reporting requirements for local government, although it is an area many local authorities are exploring.

Recommendation 11: The Council should ensure that the updated Climate Emergency Strategy provides a realistic plan to achieve the Scottish Government's emissions targets.



Mandatory requirements are likely to be required in the coming years. In March 2022, the International Sustainability Standards Board issued an Exposure Draft consultation, on requirements for the disclosure of climate-related matters. The proposals in the exposure draft set out requirements for identifying, measuring and disclosing climate-related risks and opportunities based on the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The consultation closed on 29 July 2022. In Appendix E we set out the key reporting areas of TCFD disclosures, along with annotations in green boxes with recommendations of good practice from other sectors.



Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Action plan, including follow up of prior year recommendations

E - Adjusted errors identified during the audit

F - Timing and deliverables of the audit

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit, risk and governance committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Best Value

Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY’s objectivity and independence as auditor of the Council.

Matters that we are required to communicate	<p>The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.</p> <p>There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.</p>
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Confirmations	<p>We are not aware of any inconsistencies between the Council’s policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.</p> <p>We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.</p> <p>We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.</p>
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Audit Fees		2021/22	2020/21
	Component of fee:		
	Total agreed auditor remuneration	£202,270	£198,050
	Additional audit procedures (see below)	TBC	£72,000
	Section 106 Trust	£2,500	£2,000
	Audit Scotland fixed charges:		
	Pooled costs	£21,080	£18,830
	Performance audit and best value	£99,920	£99,680
	Audit support costs	£10,800	£10,890
	Total fee	TBC	£401,450

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year.

Through the 2021/22 audit cycle we have discussed with management areas of the audit which required additional work beyond that usually expected for the Council. These areas related to the additional procedures in respect of infrastructure assets (£XXXX) as well as additional work to respond to whistleblowing allegations (£XXXX). For these areas we have agreed the fee noted in the table above with management and Audit Scotland, based on the additional time required at the contracted Audit Scotland rates.



Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2021 UK Transparency Report can be accessed on our website at [EY UK 2021 Transparency Report | EY UK](#). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the Council since appointment can be found at: [Quality of public audit in Scotland annual report 2021/22 \(audit-scotland.gov.uk\)](#)

Appendix C: Required communications

Required communication	Our reporting to you
Terms of engagement / Our responsibilities Confirmation by the audit, risk and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. Our responsibilities are as set out in our engagement letter.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Planning and audit approach Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Annual Audit Plan Annual Audit Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Annual Audit Report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Annual Audit Report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit, risk and governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Annual Audit Report

Required communication

Our reporting to you

Related parties

Significant matters arising during the audit in connection with the entity's related parties including, when applicable:

- ▶ Non-disclosure by management
- ▶ Inappropriate authorisation and approval of transactions
- ▶ Disagreement over disclosures
- ▶ Non-compliance with laws and regulations
- ▶ Difficulty in identifying the party that ultimately controls the entity

No significant matters have been identified.

Independence

Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence

Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:

- ▶ The principal threats
- ▶ Safeguards adopted and their effectiveness
- ▶ An overall assessment of threats and safeguards
- ▶ Information about the general policies and process within the firm to maintain objectivity and independence

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Internal controls

Significant deficiencies in internal controls identified during the audit

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- no significant deficiencies reported

Subsequent events

Where appropriate, asking the audit, risk and governance committee whether any subsequent events have occurred that might affect the financial statements.

We have asked management and those charged with governance. We have no matters to report.

Material inconsistencies

Material inconsistencies or misstatements of fact identified in other information which management has refused to revise

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Consideration of laws and regulations

- ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off
- ▶ Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of

Annual Audit Report or as occurring if material.

Group audits

- ▶ An overview of the type of work to be performed on the financial information of the components
- ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components
- ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work
- ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted
- ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements

Annual Audit Plan

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Appendix D: Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Council or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	<p>As part of our review of the annual report and accounts, we consider the draft disclosures within the management commentary against good practice guidance and disclosure requirements.</p> <p>We note that a number of areas of improvement that we highlighted have not been adopted, including recommendations made in Audit Scotland's Local Government Financial Overview report to:</p> <ul style="list-style-type: none"> ▶ Disclose the outturn against budget position for the year, along with the reasons for significant variances; and ▶ Report progress against agreed savings plans. 	<p>As part of the preparation process to develop the draft financial statements, the Council should develop a quality assurance process. This should include consideration of recent good practice guidance in relation to the management commentary and key financial disclosures.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: As part of the new audit cycle, officers will look to refresh the overall presentation of the accounts and the quality assurance process.</p> <p>Responsible officer: Senior Corporate Finance Manager</p> <p>Implementation date: June 2023</p>
2	<p>Audit procedures in respect of valuations continued to note a number of errors and areas for improvement:</p> <ul style="list-style-type: none"> ▶ Errors in relation to the failure to identify assets that should be subject to impairment and ▶ Supporting evidence for valuation not being readily available. 	<p>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.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: Overall arrangements will be reviewed, including introducing new procedures to identify any surplus and unused assets</p> <p>Responsible officer: Accountancy Services Manager (Capital) and Asset Management Manager</p> <p>Implementation date: March 2023</p>

Classification of recommendations

<p>Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.</p> <p>Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.</p> <p>Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.</p>			
No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
3	The statutory override in respect of infrastructure assets 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. <i>Grade 2</i>	Response: Arrangements will be reviewed to ensure compliance with the Code as appropriate. Responsible officer: Senior Corporate Finance Manager Implementation date: March 2023
4	The Council's Financial Strategy has outlined an unprecedented financial challenge over the next four years, including an outstanding budget gap of £28 million in 2023/24.	As a matter of urgency, officers and elected members need to work together to develop and agree the medium-term financial strategy and progress the Council's transformation plans. <i>Grade 1</i>	Response: The newly established Financial Strategy Group will oversee the work to further develop our Financial Strategy and to ensure financial sustainability. This will include oversight of savings from our transformation programme. Responsible officer: Chief Executive Implementation date: March 2023
5	Many Scottish councils have been able to agree multi-year indicative budgets to provide a framework for navigating the challenges ahead.	The Financial Strategy Group must develop indicative budgets and plans over the medium term to provide a shared roadmap and vision to financial sustainability. <i>Grade 1</i>	Response: The Financial Strategy Group will keep indicative budgets under review, and consider options to bridge the budget gaps, with the aim of ensuring financial sustainability. Responsible officer: Chief Executive Implementation date: March 2023

Classification of recommendations

<p>Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.</p> <p>Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.</p> <p>Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.</p>			
No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
6	Recent changes to governance arrangements mean that we are unable to conclude on the effectiveness of arrangements to track the costs, benefits and delivery of the revised COTF programme.	The Council should ensure that members receive timely, robust information on COTF projects to allow them to scrutinise progress and value for money. <i>Grade 2</i>	Response: The Financial Sustainability Group will receive updates on COTF projects including delivery of projected net savings. Reports will be submitted to Executive and other Committees as appropriate. Briefings will be provided to Members on specific projects at appropriate stages in the development. Responsible officer: Senior Corporate Finance Manager and Change Manager Implementation date: March 2023
7	Despite our recommendation in 2020/21, the Council has not yet conducted a self - assessment against the CIPFA Financial Management Code. This became a requirement for all local government bodies in 2021/22.	The Council should conduct a self-assessment against the CIPFA Financial Management Code. The Audit Committee should consider the self-assessment and scrutinise implementation. <i>Grade 1</i>	Response: A self-assessment will be undertaken and submitted to Committee as appropriate. Responsible officer: Chief Finance Officer Implementation date: June 2023
8	The Audit Committee composition has significantly changed following the local government elections. Revised guidance from CIPFA may provide helpful training materials on the important role of the audit committee.	The Audit Committee should use updated guidance from CIPFA to conduct a self-assessment against good practice arrangements, and identify further training requirements. <i>Grade 2</i>	Response: Arrangements for this work to be undertaken will be put in place. Responsible officer: Internal Audit Manager Implementation date: June 2023