

A meeting of the Audit Committee will be held on Tuesday 6 May 2025 at 3pm.

Members may attend the meeting in person or via remote online access. Webex joining details have been sent to Members and officers. Members are requested to notify Committee Services by 12 noon on Friday 2 May 2025 how they intend to access the meeting.

In the event of connectivity issues, Members are asked to use the *join by phone* number in the Webex invitation and as noted above.

Please note that this meeting will be live-streamed via YouTube with the exception of any business which is treated as exempt in terms of the Local Government (Scotland) Act 1973 as amended.

Further information relating to the recording and live-streaming of meetings can be found at the end of this notice.

LYNSEY BROWN
Head of Legal, Democratic, Digital & Customer Services

BUSINESS

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The documentation relative to the following item has been treated as exempt information in terms of the Local Government (Scotland) Act 1973 as amended, the nature of the exempt information being that set out in paragraphs 1 & 6 of Part I of Schedule 7(A) of the Act.		
PERFORMANCE MANAGEMENT		
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The reports are available publicly on the Council's website and the minute of the meeting will be submitted to the next standing meeting of the Inverclyde Council. The agenda for the meeting of the Inverclyde Council will be available publicly on the Council's website.

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Enquiries to – Lindsay Carrick - Tel 01475 712114

Report To:	Audit Committee	Date:	6 May 2025
Report By:	Chief Internal Auditor	Report No:	FIN/23/25/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	INTERNAL AUDIT PROGRESS REPORT – 1 JANUARY TO 31 MARCH 2025		

1.0 PURPOSE AND SUMMARY

- 1.1 ☐ For Decision ☒ For Information/Noting
- 1.2 The purpose of this report is to enable Members to monitor the performance of Internal Audit, to discharge their scrutiny and performance monitoring roles and gain an overview of the overall control environment throughout the Council.
- 1.3 The Monitoring Report from 1 January to 31 March 2025 is attached at Appendix 1 since its content is essential to the understanding of the Council's control environment.
- 1.4 Appendix 2 provides an update on current Red and Amber Internal Audit actions at 31 March 2025.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that the Committee note the progress made by Internal Audit in the period from 1 January to 31 March 2025.

Andi Priestman
Chief Internal Auditor

3.0 BACKGROUND AND CONTEXT

- 3.1 In June 2024, the Audit Committee approved the Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2024/25.
- 3.2 Internal Audit regularly reports findings and action plans to relevant Council Officers and the Audit Committee as part of the annual audit plan. A process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.
- 3.3 There were no audit reports finalised since the last progress update to Audit Committee in March 2025.
- 3.4 The current status of the 2024/25 audit plan is as follows:

Stage	Number of Reports
Final Report	3
Draft Report	2
Fieldwork Complete – report N/A	0
Fieldwork Complete	0
Fieldwork in Progress	4
Planning	0
Not Started	2
Deferred	2
Total	13

- 3.5 In relation to the regularity audit of Catering Stock Checks, management have advised that an external review of catering has been carried out by APSE and therefore the Internal Audit will be deferred to a future audit plan. In addition, the supplier management guidance has been updated and a pilot exercise is underway and is due to be completed by June. The audit of supplier management will therefore be deferred to a future audit plan once the new guidance has been rolled out to services.
- 3.6 In relation to internal audit action plans there were 4 actions due for completion by 31 March 2025. Three actions have been reported as completed by management and an update for one action has still to be provided. The current status report is attached at Appendix 2.
- 3.7 The CMT has reviewed and agreed the current status of actions.
- 3.8 The 2024/25 National Fraud Initiative exercise is underway. A number of matches have now been received and investigations are being progressed by responsible services.

4.0 PROPOSALS

- 4.1 It is recommended that Committee agree to note the progress made by Internal Audit in the period from 1 January to 31 March 2025.

5.0 IMPLICATIONS

5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 Financial Risk

There are no financial implications arising directly from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

Where delays arise in delivering the Internal Audit Plan, there is a risk that this may result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance. The main basis for providing assurance is coverage of the planned risk-based audits. Every endeavour is therefore made to ensure that no material slippage occurs in risk-based audits by concentrating resources on these audits.

5.4 Human Resources Risk

There are no human resources implications arising directly from this report.

5.5 Strategic

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATION

6.1 Relevant officers have been consulted on the contents of this report.

7.0 BACKGROUND PAPERS

7.1 File of completed internal audit reports: Available from the Chief Internal Auditor.



**Audit Committee Report
Report on Internal Audit Activity from
1 January to 31 March 2025**

Section	Contents
1	Audit work undertaken in the period
2	Audit Plan for 2024-2025 – progress to 31 March 2025
3	Corporate Fraud Activity
4	Ad hoc activities undertaken since the previous Audit Committee
5	Special Investigations

1 Audit work undertaken in the period

Reports issued since last update

1.1 In each audit, one of 4 overall opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

1.2 Detailed findings and recommendations reported to management are currently graded using the following criteria:

Red	<ul style="list-style-type: none"> In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. Corrective action must be taken and should start immediately. Overseen to completion by Corporate Management Team.
Amber	<ul style="list-style-type: none"> In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe. Overseen to completion by Head of Service.
Green	<ul style="list-style-type: none"> In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA). Managed by service owner.

1.3 There were no audit reviews finalised since the last progress update to Audit Committee.

1.4 There are 2 audits which have been deferred to a future audit plan as follows:

- Supplier Management – the supplier management guidance has been updated and there is a pilot exercise underway which is due to report to CMT in June 2025.
- Catering Stock Checks – there is an external review of catering by APSE currently underway.

Internal Audit Action Plan Follow Up

1.5 There were 4 actions due for completion by 31 March 2025, three of which have been reported as completed and for one action, the agreed action date has been missed and a revised date has been set. The current status of Internal Audit Action plans is set out at Appendix 2.

INVERCLYDE COUNCIL – REPORT ON INTERNAL AUDIT ACTIVITY FROM 1 JANUARY TO 31 MARCH 2025

APPENDIX 1

2 Audit Plan for 2024/2025 – Progress to 31 March 2025

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Supplier Management (b/f from 2023/24)		✓	✓	✓	✓	✓		
ASN Transport (b/f from 2023/24)								
Care and Support at Home – Delayed Discharge		✓	✓	✓	✓	✓	✓	March 2025
HSCP Strategic Commissioning		✓	✓	✓	✓	✓		
Vehicle Maintenance		✓	✓	✓				
Cyber Security		✓	✓	✓				
Payroll – Chris21 System Upgrade								
Audit support and advice is being provided to the working group. Terms of Reference has been issued.								
Limited Scope Financial System Reviews								
Budgetary Control		✓	✓	✓	✓	✓	✓	March 2025
Compliance Reviews								
Records Management	✓							
Governance of External Organisations		✓	✓	✓				
Corporate Fraud Reviews								
Discretionary Payments								
Not started. Resource has been focussed on progressing the NFI matches.								
Regularity Audits								
Education Control Self-Assessment		✓	✓	✓	✓	✓	✓	March 2025
Cost of Living Payments	✓							
Catering Stock Control								
Corporate Purchase Cards – Quarterly Checks								
Due to external review of catering by APSE this audit will be deferred to a future audit plan. Quarterly checks are underway.								
Corporate Governance								
Annual Governance Statement 2023/24								
Other Work								
National Fraud Initiative								
Completion of 2023/24 Audit Plan								
Inverclyde IJB								
24/25 Exercise is being progressed – see sections 4 of report for more information. Reports finalised: Succession Planning; Building Standards; UK Shared Prosperity Fund. 20 days allocated to IJB audit plan. Audit of Budgetary Control Arrangements is complete.								

3 Corporate Fraud Activity

- 3.1 The undernoted table sets out progress to date on corporate fraud activity in the period 1 November to 31 March 2025:

National Fraud Initiative Exercise					
In relation to the 2024/2025 Exercise, a number of matches have now been received and investigations are underway as follows:					
Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
1714	289	282	2	5	£4710.59
<p>Fraud:</p> <ul style="list-style-type: none"> – 2 cases relate to CTR cases where income had not been declared. CTR has been cancelled in both cases and action to recover the overpayment is underway. <p>Error:</p> <ul style="list-style-type: none"> - 3 cases refer to CTR cases where income had not been declared. CTR has been cancelled in all cases and action to recover the overpayment is underway. - 2 SPD cases where HB claim was processed identifying a second adult in the household. SPD cancelled and action to recover the overpayment is underway. <p>The Council Tax Single Person Discount recheck exercise was refreshed in December 2024 and the results to date are as follows:</p>					
Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
6231	215	0	0	0	0
These matches relate to addresses where the householder is claiming a council tax single person discount on the basis that they live alone yet other data suggests that there is more than one person in the household aged 18 or over.					
Discretionary Payments					
Not yet started. Resources have been focussed on NFI investigations.					

- 3.2 The team continues to investigate whistleblowing and other enquiries in relation to DWP benefit, blue badge, and Council Tax discounts and exemptions. For the current financial year to date, these enquiries have resulted in the identification of overpayments of council tax discounts and exemptions totalling £136,588.

3 Corporate Fraud Activity (Continued)

3.3 The team also progressed Whistleblowing and Corporate Fraud Referrals as follows:

File Ref	Description	Status
Whistleblowing Enquiries		
There were no whistleblowing enquiries in the period.		
Corporate Fraud Referrals		
24/154	Allegation of benefit fraud.	Closed – fraud established. Recovery underway.
24/158	NFI Payroll > Payroll	Investigation concluded – report presented to management for action. See Section 6.
24/164	NFI Payroll to Payroll	Investigation concluded – report presented to management for action. See Section 6.
24/180	Allegation of benefit fraud.	Referred to DWP.

3.4 Between 1 April 2024 and 31 March 2025, there were 3 whistleblowing enquiries investigated by the team. These are included within the relevant progress reports and a summary will be included in the Internal Audit Annual Report and Assurance Statement for 2024-25.

4 Ad hoc activities undertaken since the previous Audit Committee

4.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.

4.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:

- Providing relevant information in relation to FOI requests.
- Investigations and other work as set out at sections 4.2 and 4.3 of Appendix 1.
- Provision of ongoing advice and support to services.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 MARCH 2025

Summary: Section 1 Summary of Management Actions due for completion by 31/3/2025

There were 4 actions due for completion by 31 March 2025. Three actions have been reported as completed by management and for one action, the agreed deadline has been missed and a revised completion date has been set.

Section 2 Summary of Current Management Actions Plans at 31/3/2025

At 31 March 2025 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/3/2025

At 31 March 2025 there were 5 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2025 there were 2 audit action point where the original due date had been missed.

Section 5 Summary of Action Plan Points by Audit Year

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.3.2025**

SECTION 1

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	No update received*
HSCP	1		1	
Environment and Regeneration	1	1		
Education, Communities and Organisational Development	1	1		
All Directorates	1	1		
Total	4	3	1	

* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 31.3.2025**



SECTION 2




CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion May 2025	1
Due for completion July 2025	1
Due for completion August 2025	1
Total Actions	3
Education Communities and Organisational Development	
Due for completion September 2025	2
Total Actions	2
Total current actions:	5

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025**

SECTION 3

 Client Accounts – Quarterly Checks 2022/23 (Report Issued September 2023)				
Description	Status	Original Due Date	Due Date	Assigned To
Inaccurate Transaction Records (Amber) Management have agreed that a review will be undertaken of the overall management of the corporate appointee process with a view to streamlining and modernising the functions.		30-Apr-2024	31-Jul-2025*	Head of Finance, Planning and Resources, HSCP


 Attendance Management (Report Issued December 2023)				
Description	Status	Original Due Date	Due Date	Assigned To
Security, retention and disposal of attendance management files (Amber) All service-based electronic attendance management files will be reviewed and retained for one year and destroyed in accordance with the Council's retention and disposal of Documents and Records (electronic/paper) policy. Any existing duplicate paper files in relation to attendance management are destroyed.		30-Sep-2025	30-Sep-2025	ECMT
		30-Sep-2025	30-Sep-2025	ECMT


Action Status			
	No response received		Missed original due date
	In Progress		Completed

* See Section 4

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025

SECTION 3

P	Procurement Manual Compliance – Regulated Procurement (Report Issued - March 2024)				
Description	Status	Original Due Date	Due Date	Assigned To	
Managing regulated procurement exercises (Amber) Management will review the procurement manual to more fully reflect the actual allocation of procurement tasks undertaken by Procurement staff and relevant Service officers including appropriate input from the Designated Procurement Officer (DPO) group. Management will introduce a formal programme of sample checks on regulated contracts following the issue of award letters.		30-Nov-2024	31-Mar-2025*	Corporate Procurement Manager	


P	Succession Planning (Report Issued – July 2024)				
Description	Status	Original Due Date	Due Date	Assigned To	
Staff training in relation to succession planning (Amber) Organisational Development Team will develop training on succession planning which will be completed by all relevant staff and introduced as part of the induction course for new managers.		31-Mar-2025	31-Mar-2025	Head of OD, Policy and Communications	



Action Status			
	No response received		Missed original due date
	In Progress		Completed

* See Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
<p>Monitoring and reviewing of the effectiveness of succession planning (Amber)</p> <p>Senior management should ensure that all services review and update their succession plan for effectiveness on a regular basis.</p> <p>Updates on the Council's approach to succession planning will be included in relevant OD&HR update reports to committee on a regular basis.</p>		31-Mar-2025	31-Mar-2025	Chief Executive, Corporate Director (Education, Communities and Organisational Development), Chief Officer HSCP, Director (Environment and Regeneration), Head of OD Policy and Communications



 HSCP Care & Support At Home - Delayed Discharge (Report Issued – December 2024)	Description	Status	Original Due Date	Due Date	Assigned To
	<p>Managing Planned Date of Discharge from hospital for prospective HSCP Service Users (Amber)</p> <p>Management will use existing joint working arrangements involving HSCP and NHS Acute staff to identify the action which could be taken to:</p> <p>reduce the time lag between a patient being admitted to hospital and a referral being made to the HSCP;</p> <p>align for each inpatient their planned date of discharge with their fit for discharge date, whenever possible; and</p> <p>ensure that changes to planned dates of discharge are always promptly communicated to nominated HSCP officers.</p>		31-Aug-2025	31-Aug-2025	Service Manager (CIL, Winter Planning & Discharge)



Action Status			
	No response received		Missed original due date
	In Progress		Completed

* See Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025**

SECTION 3

 HSCP Care & Support At Home - Delayed Discharge (Report Issued – December 2024)				
Description	Status	Original Due Date	Due Date	Assigned To
<p>Managing cases of inpatients who lack capacity and require HSCP services to leave hospital (Amber) Management will use existing joint working arrangements involving HSCP and NHS Acute staff to examine the extent to which:</p> <ul style="list-style-type: none"> indicative timescales could be set for those parts of the guardianship process which officers can broadly control. In particular, the production and distribution of summary and full reports for case conferences and providing the multi-disciplinary team with regular updates on progress; cases can be formally tracked to promptly identify delays, recurring issues and required follow-up action by specific NHS Acute and HSCP officers; and they can prepare and agree local operational procedures to manage all aspects of guardianship cases involving hospital inpatients. 		31-Mar-2025	To be advised*	Service Manager (CIL, Winter Planning & Discharge)

 Education CSA (Report Issued – January 2025)				
Description	Status	Original Due Date	Due Date	Assigned To
<p>Maintenance of CCTV (Amber) Management will ensure that training on the operation of the CCTV system is provided to all relevant janitorial staff.</p>		31-Jan-2025	31-Jan-2025	Facilities Officer (Education Services)

Action Status			
	No response received		Missed original due date
	In Progress		Completed

* See Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Client Accounts – Quarterly Checks 2022/23 (September 2023)	Inaccurate Transaction Records – (Amber) Management have agreed that a review will be undertaken of the overall management of the corporate appointee process with a view to streamlining and modernising the functions.	30.04.24 31.12.24	31.07.25	We are currently reviewing all our cash handling as part of the business support review. We have already introduced online payments/voucher payments to reduce the requirement to hold cash. We are also currently in the process of reviewing and updating all our cash handling processes. This will be followed up with training for all relevant staff. We will have completed this by summer 2025.
HSCP Care & Support at Home (December 2024)	Managing cases of inpatients who lack capacity and require HSCP services to leave hospital (Amber) Management will use existing joint working arrangements involving HSCP and NHS Acute staff to examine the extent to which: <ul style="list-style-type: none"> indicative timescales could be set for those parts of the guardianship process which officers can broadly control. In particular, the production and distribution of summary and full reports for case conferences and providing the multi-disciplinary team with regular updates on progress; cases can be formally tracked to promptly identify delays, recurring issues and required follow-up action by specific NHS Acute and HSCP officers; and they can prepare and agree local operational procedures to manage all aspects of guardianship cases involving hospital inpatients. 	31.03.25	31.05.25	<ul style="list-style-type: none"> Following a successful pilot in Edinburgh of the Scottish Government's Health and Social Care Integration Division's Delayed Discharge practical guide for health & social care practitioners involved in discharge planning from hospital it has been agreed to implement this process at Inverclyde with agreed timeframes by 26 May 2025. Formal tracking of cases by a designated HSCP officer has proved successful over the past year. There is robust monitoring of cases on a daily basis with weekly meetings with Acute staff to provide updates on discharge plans for delayed individuals. In addition, weekly locality meetings identify high risk cases within the community who require to be prioritised ahead of hospital discharges and this meeting updates the delayed discharge strategic meeting which reviews community pressures and community cases which require prioritisation and actions to maintain hospital flow.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

				<p>There is a weekly HSCP multi-disciplinary meeting reviewing all individuals in hospital who have any involvement with HSCP to ensure a co-ordinated approach to discharge planning in addition to Acute actions. This high level of scrutiny has led to improved performance in terms of individuals becoming delayed in hospital and bed days lost. This aspect of the agreed action plan is now complete.</p> <ul style="list-style-type: none"> • Work is underway to prepare and agree local operational procedures but is incomplete at this time. A revised completion date of 26 May 2025 has been agreed.
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**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (GREEN ONLY)
SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR**

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status at 31 March 2025.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2017/2018	53	50	0	0	3
2018/2019	45	45	0	0	0
2019/2020	43	43	0	0	0
2020/2021	37	35	0	0	2
2021/2022	23	22	0	0	1
2022/2023	49	46	0	0	3
2023/2024	35	24	0	3	8
2024/2025	6	3	0	2	1
Total	291	268	0	5	18

*This part of the table sets out the total number of current actions not yet due at the date of the follow up report. The RED and AMBER actions are included in Section 3 of the follow up report.

An update on the progress of GREEN actions was last provided to Audit Committee in October 2024.

Report To:	Audit Committee	Date:	6 May 2025
Report By:	Chief Internal Auditor	Report No:	FIN/24/25/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS		

1.0 PURPOSE AND SUMMARY

1.1 ☐ For Decision ☒ For Information/Noting

1.2 The purpose of this report is to advise Members of the status of current External Audit actions at 31 March 2025.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the progress in relation to the implementation of external audit actions.

Andi Priestman
Chief Internal Auditor

3.0 BACKGROUND AND CONTEXT

- 3.1 External Audit report findings and action plans to relevant officers and the Audit Committee as part of their annual audit plan.
- 3.2 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans with regular reporting to CMT and the Audit Committee.
- 3.3 There were no actions due for completion by 31 March 2025.
- 3.4 There are 7 current external audit actions being progressed by officers. These are set out in the status report at Appendix 1.

4.0 PROPOSALS

- 4.1 The Audit Committee is asked to note the progress in relation to the implementation of external audit actions.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

There is a risk that failure to implement agreed audit actions in a timely manner could result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance.

5.4 Human Resources

There are no human resources implications arising directly from this report.

5.5 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

- 6.1 Relevant Officers were asked to provide updates as appropriate and the Corporate Management Team have reviewed the responses and completion dates.

7.0 BACKGROUND PAPERS

- 7.1 2023/24 External Audit Annual Report

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 31 MARCH 2025

Summary: Section 1 Summary of Management Actions due for completion by 31/3/2025

There were no actions due for completion by 31 March 2025

Section 2 Summary of Current Management Actions Plans at 31/3/2025

At 31 March 2025 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/3/2025

At 31 March 2025 there were 7 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 March 2025 there was one audit action point where the agreed deadline has been missed.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.3.2025

SECTION 1

Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*	No action proposed
There were no actions due by 31 March 2025.					
Total					

* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025

SECTION 2




CURRENT ACTIONS BY DIRECTORATE



Chief Executive	
Due for completion June 2025	2
Due for completion September 2025	3
Total Actions	5
Education and Communities	
Due for completion April 2027	1
Total Actions	1
Environment and Regeneration	
Due for completion April 2026	1
Total Actions	1
Total current actions:	7

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025

SECTION 3



Description	Status	Original Due Date	Due Date	Assigned to
Annual Report to Members on the 2021/22 Audit (November 2022)				
Local Development Plan (B/f) The preparation of the LDP will commence in February 2023 and be completed by April 2026.		30-Apr-2026	30-Apr-2026	Director, Environment & Regeneration
Annual Report to Members on the 2022/23 Audit (November 2023) – Wider Dimension and Best Value				
Out of date policies (Priority 2 recommendation) Recommendation: We recommend that all out-of-date policies are prioritised for updating and review/approval by Council or appropriate Committee as soon as is practicable.		31-Mar-2025	30-Jun-2025	Corporate Management Team (Head of Legal, Democratic, Digital & Customer Services co-ordinating)
Equality group involvement in plan (Priority 2 recommendation) Recommendation: We recommend that a specific equality group within the council is identified and involved in the strategy setting process. Management Response: Equality groups will be involved in the development of the next Council Plan from 2027 and in the mid-term review of the Partnership Plan in 2028.		01-Apr-2027	01-Apr-2027	Head of OD, Policy and Communications

Action Status			
	No response received		Missed original due date
	In Progress		Completed

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025

SECTION 3



Description	Status	Original Due Date	Due Date	Assigned to
Annual Report to Members on the 2023/24 Audit (October 2024)				
Savings Plans Recommendation: We recommend that keeping in view the availability of medium term forecast, beyond the two year budget, saving plans should be considered and developed for medium term as well i.e. beyond the period covered by the latest budget. Management Response: Officers will develop a medium-term savings strategy as part of the development of the 2026/27 Budget.		30-Sep-2025	30-Sep-2025	Chief Financial Officer
Annual Report to Members on the 2023/24 Audit (October 2024) – Wider Dimension and Best Value				
Digital Modernisation Initiatives Recommendation: We recommend that a system of overall assessment of the impacts (cost, time and quality) of the digital modernisation initiatives should be designed and implemented. Management Response: Officers will examine the most appropriate format of a collated assessment of the impact of the Digital Modernisation investment including the quantification of any efficiencies, savings and associated service improvements. Thereafter this will be reported to the Policy & Resources Committee.		30-Sep-2025	30-Sep-2025	Chief Executive/ Head of Legal, Democratic, Digital and Customer Services





Action Status			
	No response received		Missed original due date
	In Progress		Completed

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

CURRENT MANAGEMENT ACTIONS AS AT 31.3.2025

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned to
Annual Report to Members on the 2023/24 Audit (October 2024) – Wider Dimension and Best Value				
Assessing the impacts of hybrid working We recommend that an overall assessment of the impact of the new flexible arrangements on service quality and outcomes, to provide greater insight into the achievement of the intended objectives, should be carried out. We further recommend, while in use, the documentation of the Council's expectations in relation to informal flexible working arrangements.		30-Jun-2025	30-Jun-2025	Head of OD, Policy and Communications
Management Response: Officers will carry out the assessment as indicated and thereafter report to the Policy & Resources Committee. The Flexible Working Policy will be reviewed to ensure that it reflects current practice in relation to informal flexible working.				
Joint Working and Collaboration We recommend that Council should continue to explore opportunities for joint working and collaboration to build resilience and to make the best use of resources.		30-Sep-2025	30-Sep-2025	Chief Executive
Management Response: The Council will consider potential joint working with other councils and other partners as part of the development of medium-term actions linked to Transformation and Delivering Differently. This to feed into the 2026/27 Budget process.				

Action Status			
	No response received		Missed original due date
	In Progress		Completed

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
ANALYSIS OF MISSED DEADLINES

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Annual Report to Members on the 2022/23 Audit (November 2023)	Out of date policies (Priority 2 recommendation) Recommendation: We recommend that all out-of-date policies are prioritised for updating and review/approval by Council or appropriate Committee as soon as is practicable.	31.03.24	30.06.25	A tracker is now in place which monitors review dates for all key policies which is reviewed quarterly by CMT. The majority of out-of-date policies identified by the audit have now been reviewed and approved by Committee or are due to be approved by 31 March 2025. There is one policy remaining which is due to be updated and reported to Committee by 30 June.

Action Status			
	No response received		Missed original due date
	In Progress		Completed

Report To:	Audit Committee	Date:	6 May 2025
Report By:	Chief Internal Auditor	Report No:	FIN/25/25/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	Global Internal Audit Standards – Update		

1.0 PURPOSE AND SUMMARY

1.1 ☐ For Decision ☒ For Information/Noting

1.2 To inform the Audit Committee of the new Global Internal Audit Standards (UK public sector) that came into effect on 1 April 2025 and that internal audit teams in the public sector will be working to implement these new internal audit standards by 31 March 2026.

RECOMMENDATIONS

2.1 It is recommended that Audit Committee considers and notes the contents of this report and that further update reports will be provided during 2025/26 in relation to the new Global Internal Audit Standards (UK public sector).

Andi Priestman
Chief Internal Auditor

3.0 BACKGROUND AND CONTEXT

- 3.1 Local government bodies have a requirement for internal audit as set out in national regulations. As the relevant internal audit standard setter (RIASS) for UK local government, CIPFA works with other RIASS through the Internal Audit Standards Advisory Board (IASAB) to mandate the appropriate internal audit standards. Since 2013, the RIASS have jointly mandated the Public Sector Internal Audit Standards (PSIAS) based on the International Professional Practices Framework of the Institute of Internal Auditors (IIA). New standards, Global Internal Audit Standards (UK public sector), are mandated from 1 April 2025 consisting of the Global Internal Audit Standards (GIAS) of the IIA and the RIASS Application Note: Global Internal Audit Standards in the UK public sector.
- 3.2 Internal Audit teams will not be required to demonstrate full compliance on this date but must work in accordance with the new standards from 1 April in order to transition to the new requirements.
- 3.3 The Standards are arranged into five domains:
- I Purpose of Internal Auditing
 - II Ethics and Professionalism
 - III Governing the Internal Audit Function
 - IV Managing the Internal Audit Function
 - V Performing Internal Audit Services
- 3.4 Across the domains are 15 Principles and 52 Standards. These include requirements, considerations for implementation, and examples of evidence of conformance.
- 3.5 CIPFA has developed the Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support local authorities in establishing their internal audit arrangements and providing oversight and support for internal audit. The Code is designed to work alongside new internal audit standards and replaces the organisational responsibilities set out in the Statement on the role of the head of internal audit (CIPFA, 2019).

4.0 PROPOSALS

- 4.1 As an Audit Committee, Members play a vital role in ensuring that the internal audit function adheres to the Standards and fulfils its mandate effectively and efficiently. Audit Committee Members and senior management should be familiar with the new Standards and their implications.
- 4.2 Having reviewed the requirements of the new Standards, it is considered that the Council's internal audit services aligns with the intent of the Standards. During 2025/26, processes and templates will be refreshed as part of the ongoing quality assurance and improvement programme to ensure alignment with requirements of the new Global Internal Audit Standards.
- 4.3 The Chief Internal Auditor will provide further reports in relation to the new Standards during 2025/26 and a transition plan will be developed and implemented to ensure that Internal Audit service's practices and templates are aligned with expectations.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		X
Legal/Risk	X	
Human Resources		X
Strategic (Partnership Plan/Council Plan)	X	
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		X
Environmental & Sustainability		X
Data Protection		X

5.2 Finance

There are no direct financial implications arising from this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

There are no significant risks arising from the proposed recommendations in this report. The report should provide a key source of assurance over the Council's internal audit arrangements.

5.4 Human Resources

There are no direct human resources implications arising from this report.

5.5 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATION

- 6.1 The GIAS will require close engagement with Council management. The Chief Internal Auditor will therefore attend the Council CMT to discuss the changes in more detail and agree changes to the ways of working with management under the new arrangements.

7.0 BACKGROUND PAPERS

- 7.1 [Institute of Internal Auditors Global Internal Audit Standards](#); [CIPFA Application Note](#) and the [Code of Practice](#) on the Governance of Internal Audit.

Report To:	Audit Committee	Date:	6 May 2025
Report By:	Interim Chief Financial Officer	Report No:	FIN/26/25/AE/MT
Contact Officer:	Matt Thomson	Contact No:	01475 712256
Subject:	EXTERNAL AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2025		

1.0 PURPOSE AND SUMMARY

- 1.1 ☐ For Decision ☒ For Information/Noting
- 1.2 The purpose of this report is to present the External Audit Plan for the year ended 31 March 2025 to Committee for discussion and noting .
- 1.3 Representatives from KPMG will attend the meeting to present to Plan and answer any questions.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that, having sought clarification on any relevant matters, the Committee note the contents of the External Audit Plan for the year ended 31 March 2025.

Angela Edmiston
Interim Chief Financial Officer

3.0 BACKGROUND AND CONTEXT

- 3.1 Each year the Council's appointed External Auditors produce an Audit Plan highlighting key items relevant to the audit of the Council's annual accounts, wider scope and best value matters.
- 3.2 The Council's External Auditors, KPMG, have prepared the Audit Plan for the year ended 31 March 2025 and this is attached as appendix 1.
- 3.3 Officers from KPMG will be present at Committee and answer any questions that Members may have on the contents.

4.0 PROPOSALS

- 4.1 It is proposed that Committee note the Plan and seek clarification from the Council's External Auditors on any relevant matters.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO
Financial		x
Legal/Risk	x	
Human Resources		x
Strategic (Partnership Plan/Council Plan)		x
Equalities, Fairer Scotland Duty & Children/Young People's Rights & Wellbeing		x
Environmental & Sustainability		x
Data Protection		x

5.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

The Plan highlights several assessed audit risks identified and the approach the External Auditors propose to take to address these risks.

5.4 Human Resources

There are no HR matters arising.

5.5 Strategic

The Plan sets out the proposed approach to assessing several areas including financial sustainability, financial management, vision, leadership and governance, use of resources to improve outcomes and best value and as such contributes towards strong corporate governance.

6.0 CONSULTATION

6.1 The Chief Executive, Monitoring Officer and Chief Internal Auditor have been consulted on the contents of the Plan.

7.0 BACKGROUND PAPERS

7.1 None.



Indicative External Audit Plan for the year ended 31 March 2025

Inverclyde Council

DRAFT

16 April 2025

Key contacts

Your key contacts in connection with this report are:

Michael Wilkie

Partner

Tel: 07795370106

Michael.Wilkie@kpmg.co.uk

Taimoor Alam

Manager

Tel: 07731348596

Taimoor.Alam@kpmg.co.uk

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Materiality and Group audit scope	4
Audit risks and our audit approach	5
Audit cycle and timetable	11
Wider scope and best value approach	12
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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code").

This report is intended for the benefit of Inverclyde Council ("the Council") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report and it will not be quoted or referred to, in whole or in part, without our prior written consent. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

Introduction

To the Audit Committee of Inverclyde Council

We are pleased to have the opportunity to meet with you on 6 May 2025 to discuss our anticipated approach to the audit of the financial statements of Inverclyde Council, as at and for the year ending 31 March 2025.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

This report is indicative at this stage, as we complete our planning and risk assessment work, and sets out our approach to setting materiality and likely audit risks as well as other salient aspects of our approach.

The engagement team

Michael Wilkie is the engagement leader on the audit. Michael will lead the engagement and is responsible for the audit opinion. Taimoor Alam will be the manager responsible for the audit and will be responsible for overseeing the delivery of our audit. Other key members of the engagement team include Susan Mutesi and Stacey Mckay.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion that is also important.

We define 'audit quality' as being the outcome when audits are:

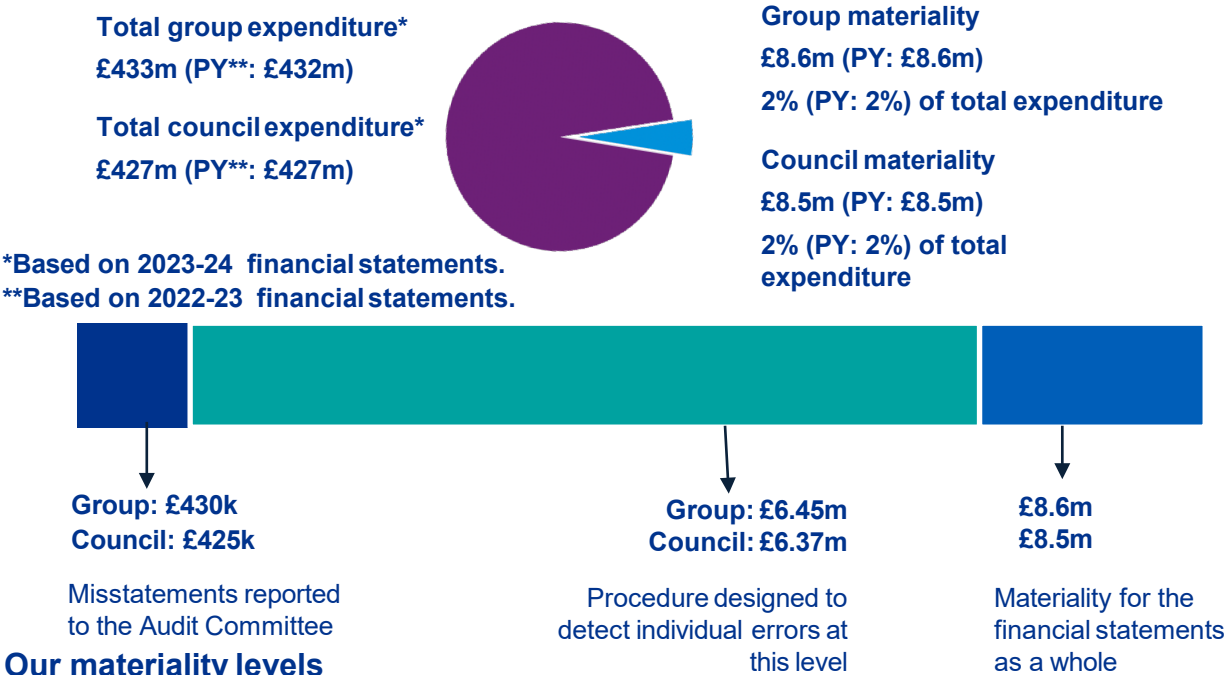
- **Executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality controls**; and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of Inverclyde Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Yours sincerely,
Michael Wilkie

Materiality (Group and Council) and Group audit scope



Our materiality levels

The materiality levels outlined above are set based on 2023/24 audited financial statements. If actual total group expenditure as per the draft financial statements varies materially from the prior period figure, we will revisit our materiality assessment. We determine materiality for the consolidated financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We expect to use a benchmark of total expenditure which we consider to be appropriate as it reflects the scale of the Authority’s services and we consider this most clearly reflects the interests of users of the Authority’s accounts. To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of performance materiality. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as directors’ salary information in the remuneration report.

Reporting to the audit committee

Under ISA 260, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Council and its Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.425 and £0.43 million respectively.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities

Group Audit Scope

We have assessed, from a group perspective, that Council is the only individually significant component and accordingly subject to a full scope audit.

Audit risks and our audit approach

This section of our report sets out the expected audit risks we anticipate to focus on and to take up significant audit time.

Our risk assessment draws upon our knowledge of the industry and the wider economic environment in which Inverclyde Council operates.

We also use our regular meetings with senior management to update our understanding.

We will update our risk assessment once we have completed our detailed planning procedures and provide a further update in our Audit Plan and Strategy.

Relevant factors affecting our risk assessment

Significant risks

- | | |
|---|---|
| 1 | Valuation of land and building
(revaluation required by the Code) |
| 2 | Retirement benefit obligations
(assumptions and methodology) |
| 3 | Fraud risk from income recognition and expenditure
(expect to rebut income fraud risk) |
| 4 | Fraud risk from management override of controls
(presumed risk per ISA 240) |
-

Other audit risks

- | | |
|---|----------------|
| 5 | IFRS 16 Leases |
|---|----------------|
-

Audit risks and our audit approach

Valuation of land and buildings

Significant audit risk

Risk: The carrying amount of land and buildings differs materially from the fair value

The value of the Council’s Other Land and Buildings at 31 March 2024 was £382m, in addition to Schools PPP assets of £96m.

The Code requires that where land and buildings are subject to revaluation, their year end carrying value should reflect the fair value at that date. Any asset valuation carries with it risks of estimation uncertainty. The size of the land and buildings balance relative to our expected materiality means that the risk of a material difference between carrying value and fair value is increased.

The Council commissions a full revaluation of a portion of its land and buildings in addition to indexation being applied to the remaining assets not formally revalued.

Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council’s properties at 31 March 2025;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information, such as floor plans, and to previous valuations, challenging management where variances are identified;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation, including the use of relevant indices and assumptions around physical and functional obsolescence. Further, we will consider the reasonableness of management’s assessment in respect of assets not subject to valuation;
- We will perform inquiries of the valuers in order to verify the methodology that was used in preparing the valuation and whether it was consistent with the requirements of the RICS Red Book and the Code;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the Code; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach

Risk of retirement benefit obligations

Significant audit risk

Risk: An inappropriate amount is estimated and recorded for the defined benefit obligation

The valuation of the Local Government Pension Scheme (Strathclyde Pension Fund) relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions should be derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Planned Response

Control design:

- Testing the design and operating effectiveness of controls over the provision of membership information to the actuary who uses it, together with management's review of assumptions, to calculate the pension obligation.

Benchmarking assumptions:

- Challenging, with the support of our own actuarial specialists, the key assumptions applied, being: the discount rate; inflation rate; and mortality/life expectancy against externally derived data.
- Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations.

Assessing transparency:

- Considering the adequacy of the disclosures in respect of the sensitivity of the deficit to these assumptions.
- Assessing if the disclosures within the financial statements are in accordance with the Code's requirements.

Audit risks and our audit approach

Risk from income recognition and expenditure

Significant audit risk

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the FRC, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

Income

We consider that the Council's significant income streams, which include taxation and non-specific grant income are likely to be free of management judgement or estimation. At the planning stage, we do not consider recognition of the remaining income sources to represent a significant risk for the Council as there are limited incentives and opportunities to manipulate the way income is recognised, and these are not likely to be materially inappropriate. We did not identify any such errors or manipulation in the prior year. **We therefore plan to rebut this risk and do not incorporate specific work into our audit plan in this area beyond our standard fraud procedures.**

We will continue to assess this as we complete our planning and risk assessment and report any changes to Audit Committee in May.

Expenditure

We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs (including pension adjustments), financing and investment expenditure, or depreciation. These costs are routine in nature and are at less risk of manipulation. This relates to a significant proportion of council expenditure.

We have concluded that there is a significant risk around fraudulent expenditure recognition, specifically relating to the cut-off of expenditure. This arises from a combination of incentives, including the incentive to deliver the overall budget outturn for the year, as well as incentives within services locally to use but not exceed allocated budgets by year-end.

In response to the significant risk relating to cut-off of non-pay expenditure, we will include procedures to:

- compare the outturn with the in year budget monitoring, considering variances;
- compare the year-end accruals and payables balances with those recognised at 31 March 2024 to identify any new accruals as well as any recorded in the prior period which have not been recognised at 31 March 2025;
- test expenditure cut-off including a search for unrecorded liabilities; and
- test transactions focusing on the areas of greatest risk in terms of subjectivity, which provide the most opportunity to manipulate the year-end outturn, including creditors, accruals, prepayments and provisions to challenge completeness and existence of these balances.

Audit risks and our audit approach

Management override of controls

Significant audit risk	Planned response
<p>The risk</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We have not identified any specific additional risks of management override relating to this audit.</p>	<ul style="list-style-type: none"> – Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we will evaluate the design and implementation of the controls in place for the approval of manual journals posted to the general ledger to ensure that they are appropriate. – We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting revenue or expenditure recognition around year-end, or journals linked to our other recognised significant risks. – We will assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. – We will review the appropriateness of the accounting for significant transactions that are outside the Council’s normal course of business, or are otherwise unusual. – We will assess the controls in place for the identification of related party relationships and test the completeness of the related parties identified. We will verify that these have been appropriately disclosed within the financial statements.

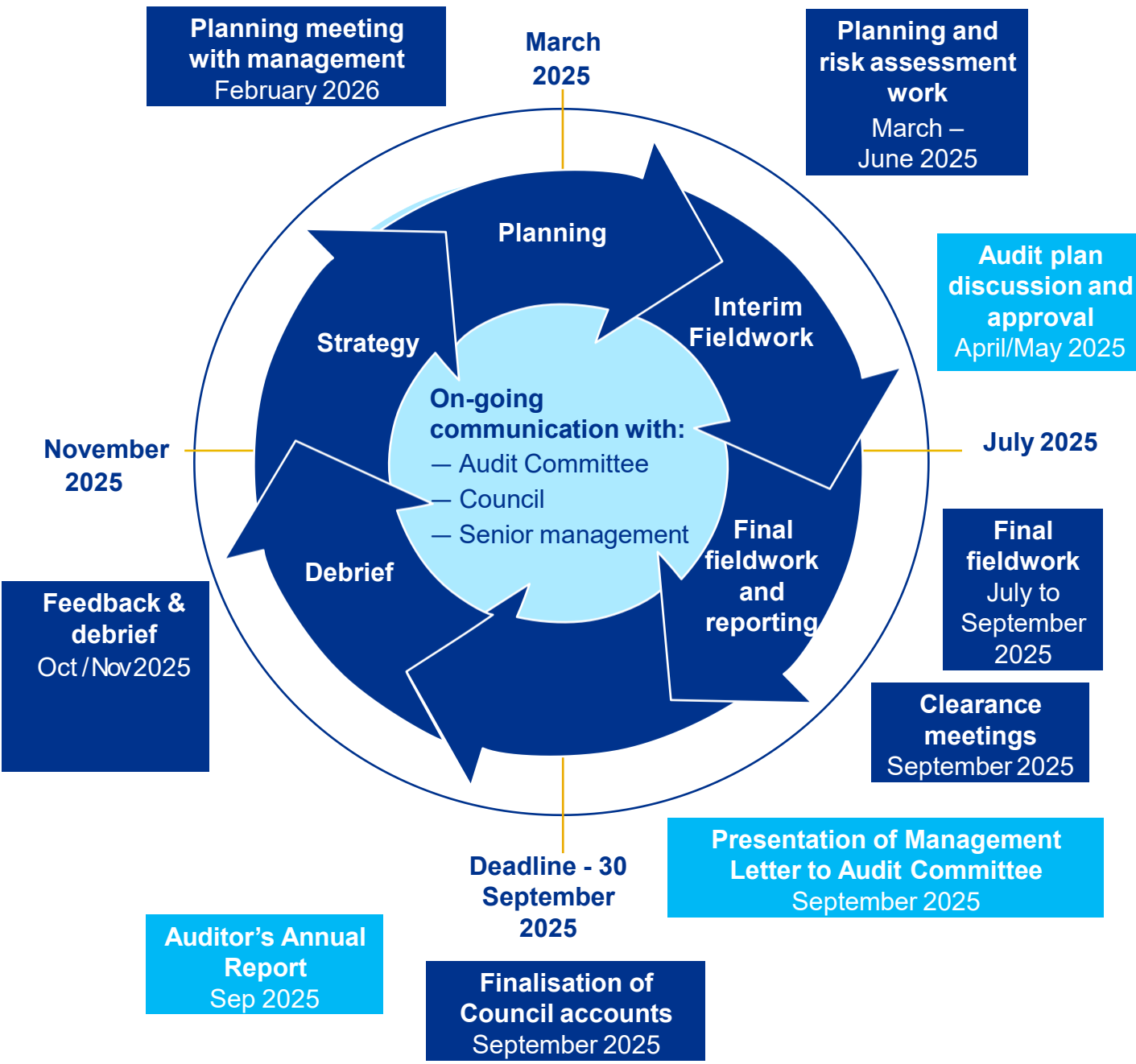
Audit risks and our audit approach

IFRS 16 Leases

Significant audit risk	Planned response
<p>The risk</p> <p>IFRS 16 Leases will be fully adopted for the first time within the 2024/25 accounts.</p> <p>The main source of this risk is that lease terms and lease payments are inappropriately determined. This is a particular risk for arrangements which are not subject to a formal contracts.</p> <p>Other risks include that the discount rate used to measure the lease liability is inappropriately determined or that a lease liability is not appropriately remeasured when reassessment is required.</p> <p>Linked to the above there is a potential risk that lease payments are not completely and accurately recorded, are not recorded in the correct accounting period or have not occurred.</p>	<ul style="list-style-type: none">- We will evaluate the Council’s process for reviewing current arrangements and contracts to ascertain whether there is a lease falling within the remit of the standard;- We will test the completeness and accuracy of the data collected by the Council and used as part of the accounts preparation;- We will critically assess the key decisions made about material contracts such as property leases;- We will review the discount rate used in the calculation of the lease liability and confirm that the rate used is appropriate;- We will reperform the calculation of the lease liability and right of use asset for a sample of leases;- We will critically assess the disclosure for compliance with the requirements of the code.

Audit cycle and expected timetable

Our 2024/25 schedule



■ Key Events
■ AC communications





Wider scope and best value approach

Inverclyde Council

Wider Scope and Best Value

Wider Scope Approach

The Code of Audit Practice sets out four areas that constitute the wider scope of public audit in Scotland: financial sustainability; financial management; vision, leadership and governance; and use of resources to improve outcomes.

We set out below an overview of our approach to wider scope requirements of our annual audit.

Local Risk assessment

We are required to consider the arrangements in place for the wider-scope areas when undertaking annual risk assessment with a view to preparing the Annual Audit Plan.

As part of our risk assessment, we have considered the arrangements in place for the wider-scope areas and have summarised the results of our assessment and our planned response on the following pages.

National Risk assessment

Guidance may supplement auditors' own local risk assessments where there are particular areas of national or sectoral risk that the Auditor General and Accounts Commission wish auditors to consider. However, there are no such risks specified for 2024/25.

Wider Scope and Best Value

Wider Scope Approach (continued)

Financial Management

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

Risk Assessment

As part of our previous year audit we noted that:

A budget monitoring system is in place.

Overall financial systems of internal control are operative.

There are established procedures for preventing and detecting fraud.

An established Internal Audit system is in place.

As part of our planning work we noted that a report was presented to the Council in their meeting dated 6 March 2025 to consider the Revenue Budget for 2025/26.

Based on above we have not identified any significant risks in relation to financial management.

Planned Audit Response

We will continue to review the financial management arrangements in place.

We will follow-up on the progress made in relation to our prior year recommendations.

Wider scope and best value

Wider Scope Approach (continued)

Financial Sustainability

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

Risk Assessment

As part of our previous year audit we noted that the Council has a number of arrangements in place, in relation to financial sustainability, including a medium-term financial strategy, capital programme, reserves strategy and savings plans.

We further noted that while the Council has a medium to longer term financial strategy in place, however the savings plans are limited to period covered by the latest budget i.e. next two years. We recommended that keeping in view the availability of medium-term forecast, beyond the two-year budget, saving plans should be considered and developed for medium term as well i.e. beyond the period covered by the latest budget. We understand that the officers will develop a medium-term savings strategy as part of the development of the 2026/27 Budget.

Based on above a possible risk in relation to financial sustainability may exist.

Audit Approach

- We will continue to consider the Council's long term financial plans, as well as underlying specific plans, and its ability to adapt to the changing landscape in local government funding. This will involve consideration of the 2025-26 budget and longer-term financial plans.
- We will inquire with officers regarding reporting to members surrounding the assumptions and judgements made in forecasting future funding and expenditure pressures.
- We will consider how major capital projects are planned to be funded and implemented, including the revenue and capital consequences of the same.
- We will follow-up on the progress made in relation to our prior year recommendation.

Wider scope and best value

Wider Scope Approach (continued)

Vision, Leadership and Governance

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

Risk Assessment

As part of our previous year audit we noted that:

- Council has strategic planning arrangements in place
- Governance arrangements are appropriate and operated effectively.
- Arrangements are in place in relation to security, challenge and transparency

Based on above we have not identified any significant risk in relation to the Council's arrangements around vision, leadership and governance dimension of the wider scope audit.

Audit Approach

We will continue to review the arrangements in place in relation to vision, leadership and governance.

We will follow-up on the progress made in relation to our prior year recommendations including recommendations identified as part of the best value report, in the previous years, relating to the development of the Council's Strategic Priorities.

Wider Scope and Best Value

Wider Scope Approach (continued)

Use of Resources to Improve Outcomes

Use of Resources to Improve Outcomes is concerned with demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes

Risk Assessment

As part of our prior year audit we noted that Performance management arrangements provide a sound basis for improvement.

The Council has Committee Delivery and Improvement Plans which lay out the targets at committee level.

Based on above we have not identified any significant risk in relation to the Council's arrangements around use of resources to improve outcomes.

Audit Approach

We will continue to review the relevant arrangements in place including arrangements in place in relation to compliance with the effective of performance reporting requirement as part of the best value audit.

Wider Scope and Best Value

Best Value Approach

Local government bodies have a duty under the Local Government in Scotland Act 2003 to make arrangements which secure Best Value. Best Value is continuous improvement in the performance of the body's functions.

The wider scope of core annual audit activity in local government includes the statutory duty of auditors under section 99(1)(c) of the Local Government (Scotland) Act 1973 (the 1973 Act) to be satisfied that bodies have made proper arrangements to secure Best Value.

Paragraph 60 of the Code of Audit Practice (2021) extends this responsibility to other sectors and requires auditors to consider the arrangements put in place by Accountable Officers to meet their Best Value obligations.

The audit of Best Value in councils is fully integrated within the annual audit work. We are required to evaluate and report on the performance of councils in meeting their Best Value duties.

There are the following five aspects to auditors' work:

- Following up previous improvement actions.
- Risk based consideration of themes.
- Assessing the effectiveness of performance reporting.
- Thematic reviews.
- Contributing to Controller of Audit reports.

Follow up

This involves follow up on Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports, Best Value thematic reports and Annual Audit Reports.

We will establish the progress made against the actions, make judgements on the pace and depth of improvements and report judgements in the Annual Audit Report where relevant.

Risk based consideration of themes

The statutory guidance which councils are required to follow sets out seven Best Value themes. The guidance details for each of the themes what a council should be able to demonstrate to achieve Best Value

We will consider the Council's arrangements in respect of the themes to identify any risks and will report findings, judgements and improvement actions in the Annual Audit Report.

Wider scope and Best Value

Best Value Approach (continued)

Assessing the effectiveness of performance reporting.

Theme 3 in the Best Value statutory guidance is the effective use of resources, an element of which is performance reporting.

We are required to carry out work on performance reporting annually.

We will:

- determine and report on the effectiveness of the Council's processes for reporting and scrutiny of performance against its priorities;
- report in the annual audit report on whether the Council can demonstrate a trend of improvement over time in delivering its priorities
- assess whether the Council has made proper arrangements for preparing and publishing the statutory performance information in accordance with the Statutory Performance Information Direction.

Thematic review – service transformation

We are required to report on Best Value or related themes prescribed by the Accounts Commission. The thematic work for 2024/25 is on the subject of service transformation.

We will consider how the Council is redesigning services to maintain outcomes and deliver services more efficiently.

We are required to report our conclusions on the thematic review in a separate management report.

Controller of Audit reports

The Controller of Audit also reports to the Accounts Commission on each council's performance in meeting its Best Value duties at least once over the five-year audit appointment.

The Council is not in-scope for this reporting in the current cycle.

Wider Scope and Best Value

Linkages with other audit work

There is a degree of overlap between the work we do as part of the wider scope and Best Value audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Council's organisational control environment, many aspects of which are relevant to our wider scope and Best Value audit responsibilities.

We seek to avoid duplication of audit effort by integrating our financial statements and wider scope and Best Value work.

Reporting and concluding on wider scope and Best Value

At the conclusion of the wider scope and Best Value work we include relevant observations and recommendations in the Annual Audit Report.

We will update our assessment throughout the year, and should any issues present themselves we will report them in our Annual Audit Report.

We will report on the results of the wider scope and Best Value audit through our Annual Audit Report and the best value thematic report. This will summarise any specific matters arising, and the basis for our overall conclusion.

Other core annual audit activities

Other Audit Outputs

Paragraph 81 of the Code of Audit Practice (2021) advises that the following other outputs may be required from appointed auditors as core annual audit activity in accordance with guidance from Audit Scotland:

- Certificates on grant claims and similar returns prepared by audited bodies.
- Assurance statements for Whole of Government Accounts returns or other consolidation schedules.
- Reports on summary financial information.

Information Returns

Paragraph 104 of the Code of Audit Practice requires appointed auditors to complete information returns as a core annual audit activity. The information returns required for 2024/25 are as follows:

Contributions to performance audit work

Current Issues Returns

Fraud Returns

National Fraud Initiative

Contributing to Technical Guidance Notes (TGNs).

Further core annual audit activity undertaken by appointed auditors and their teams also includes the responsibilities and activities set out in chapter 7 of the Guidance on planning the annual audit 2024/25 annual audits of public bodies.



Appendices

Mandatory communications

Type	Statement
Management's responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor's responsibilities	Our engagement letter with Audit Scotland communicates our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities - Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our engagement letter with Audit Scotland communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Auditor's responsibilities – wider scope and best value	Our wider-scope and best value methodology slide on pages 13 to 21 sets out our responsibilities for reporting on wider scope and best value. We have set out on these pages the methodology we will adopt in discharging our responsibilities in these areas.
Independence	Our independence confirmation on page 24 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

Confirmation of independence

Assessment of our objectivity and independence as auditor of the Inverclyde Council (“the Council”)

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings.

Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

We have considered the fees charged by us to the council and its affiliates for professional services provided by us during the reporting period. No non-audit services are expected to be provided during 2024/25.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.



This report is intended solely for the information of the Audit Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully
KPMG LLP

Audit team and rotation

Your audit team has been drawn from our specialist public sector audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

	Michael Wilkie is the partner responsible for our audit. He will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.
	Taimoor Alam is the manager responsible for our audit. He will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts, wider scope and best value work.

Other key members of the audit team include Susan Mutesi and Stacey Mckay. They will be responsible for our on-site fieldwork and will complete work on more complex sections of the audit.

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be Michael’s third year as your engagement lead. He can therefore complete a further 7 years before rotation.

Fees

Audit Scotland has completed a review of funding and fee setting arrangements for 2024-25. An expected fee is calculated by Audit Scotland to each entity within its remit. This expected fee is made up of four elements:

- Auditor remuneration (** average of Tender values)
- Audit Scotland Pooled costs
- Contribution to PABV costs
- Audit Scotland sectoral cap adjustment

The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for the audit.

Entity	2024/25	2023/24
Auditor Remuneration **	£258,130	£247,720
Pooled Costs	£6,480	£9,030
PABV Contribution	£59,110	£62,010
Sectoral Cap Adjustment	(£1,150)	(£2,240)
TOTAL AUDIT FEES (Incl VAT)	£322,570	£316,520

Source: Audit Scotland

Billing arrangements

Fees will be billed by Audit Scotland in accordance with a billing schedule as outlined in correspondence with management.

Basis of fee information

In line with our standard terms and conditions the fee is based on the following assumptions:

- The Board’s audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied; A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-forms as necessary. Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

If there are any variations to the above plan, we will discuss them with you and agree any additional fees before costs are incurred wherever possible.

Responsibility in relation to fraud

We are required to consider fraud and the impact that this has on our audit approach. We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Management responsibilities

Adopt sound accounting policies.
With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
Establish proper tone/culture/ethics.
Require periodic confirmation by employees of their responsibilities.
Take appropriate action in response to actual, suspected or alleged fraud.
Disclose to Audit Committee and auditors:

- Any significant deficiencies in internal controls; and
- Any fraud involving those with a significant role in internal controls

KPMG's identification of fraud risk factors

Review of accounting policies.
Results of analytical procedures.
Procedures to identify fraud risk factors.
Discussion amongst engagement personnel.
Enquiries of management, Audit Committee, and others.
Evaluate broad programmes and controls that prevent, deter, and detect fraud.

KPMG's response to identified fraud risk factors

Accounting policy assessment.
Evaluate design of mitigating controls.
Test effectiveness of controls.
Address management override of controls.
Perform substantive audit procedures.
Evaluate all audit evidence.
Communicate to Audit Committee and management.

KPMG's identified fraud risk factors

—Whilst we consider the risk of fraud at the financial statement level to be low for the Council, we will monitor the following areas throughout the year and adapt our audit approach accordingly:

- Income recognition;
- Cash;
- Procurement;
- Management control override; and
- Assessment of the impact of identified fraud.

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of management
Financial Statements
<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none">— 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 that 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 Council;— maintaining proper accounting records; and— 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. <p>Further, it is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>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.</p> <p>Audited bodies are responsible for providing the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of management
Prevention and detection of fraud and irregularities
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.
Corporate governance arrangements
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 Committees or equivalent) in monitoring these arrangements.
Financial position
<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> — 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; and — the impact of planned future policies and foreseeable developments on their financial position.
Best Value, use of resources and performance
The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of auditors
<p>Appointed auditor responsibilities</p> <p>Auditor responsibilities are derived from statute, this Code, ISAs, professional requirements and best practice and cover their responsibilities when auditing financial statements and when discharging their wider scope responsibilities. These are to:</p> <ul style="list-style-type: none">— undertake statutory duties, and comply with professional engagement and ethical standards;— provide an opinion on audited bodies’ financial statements and, where appropriate, the regularity of transactions;— review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns;— notify the Auditor General when circumstances indicate that a statutory report may be required;— participate in arrangements to cooperate and coordinate with other scrutiny bodies (local government sector only);— demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies:<ul style="list-style-type: none">— effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;— suitability and effectiveness of corporate governance arrangements; and— financial position and arrangements for securing financial sustainability. <p>Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.</p> <p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of auditors
General principles
This Code is designed such that adherence to it will result in an audit that exhibits these principles.
Independent
<p>When undertaking audit work all auditors should be, and should be seen to be, independent. This means auditors should be objective, impartial and comply fully with the FRC ethical standards and any relevant professional or statutory guidance. Auditors will report in public and make recommendations on what they find without being influenced by fear or favour.</p> <p>Our independence confirmation letter (Appendix two) discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p> <p>We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.</p>
Proportionate and risk based
Audit work should be proportionate and risk based. Auditors need to exercise professional scepticism and demonstrate that they understand the environment in which public policy and services operate. Work undertaken should be tailored to the circumstances of the audit and the audit risks identified. Audit findings and judgements made must be supported by appropriate levels of evidence and explanations. Auditors will draw on public bodies’ self-assessment and self - evaluation evidence when assessing and identifying audit risk.
Quality focused
Auditors should ensure that audits are conducted in a manner that will demonstrate that the relevant ethical and professional standards are complied with and that there are appropriate quality-control arrangements in place as required by statute and professional standards.

Audit Scotland code of audit practice – responsibility of auditors and management

Responsibilities of auditors
Coordinated and integrated
It is important that auditors coordinate their work with internal audit, Audit Scotland, other external auditors and relevant scrutiny bodies to recognise the increasing integration of service delivery and partnership working within the public sector. This would help secure value for money by removing unnecessary duplication and also provide a clear programme of scrutiny activity for audited bodies.
Public focussed
The work undertaken by external audit is carried out for the public, including their elected representatives, and in its interest. The use of public money means that public audit must be planned and undertaken from a wider perspective than in the private sector and include aspects of public stewardship and best value. It will also recognise that public bodies may operate and deliver services through partnerships, arm’s-length external organisations (ALEOs) or other forms of joint working with other public, private or third sector bodies.
Transparent
Auditors, when planning and reporting their work, should be clear about what, why and how they audit. To support transparency the main audit outputs should be of relevance to the public and focus on the significant issues arising from the audit.
Adds value
It is important that auditors recognise the implications of their audit work, including their wider scope responsibilities, and that they clearly demonstrate that they add value or have an impact in the work that they do. This means that public audit should provide clear judgements and conclusions on how well the audited body has discharged its responsibilities and how well they have demonstrated the effectiveness of their arrangements. Auditors should make appropriate and proportionate recommendations for improvement where significant risks are identified.

KPMG's Audit Quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.



■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

Source: KPMG

ISA (UK) 600 Revised: Summary of changes

Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquiries of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.

Source: KPMG



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