

Argyll and Bute Council

Annual Audit Plan 2017/18



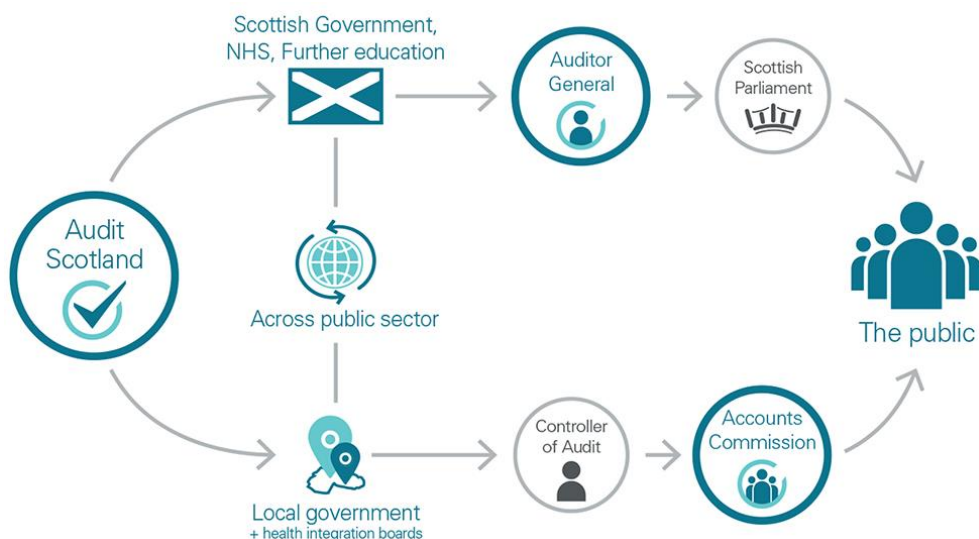
 AUDIT SCOTLAND

Prepared for Argyll and Bute Council
March 2018

Who we are

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

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

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

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

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

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the Code of Audit Practice, and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit, including the new approach to Best Value. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Argyll and Bute Council. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that auditors consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates and evaluation of the impact of any variability in key assumptions.</p> <p>Focused testing of accruals and prepayments.</p> <p>Substantive testing of transactions after the year end to confirm income and expenditure is accounted for in the correct period.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<p>2 Risk of fraud over income</p> <p>Argyll and Bute Council receives a significant amount of income in addition to Scottish Government funding. The extent and</p>	<p>The council has well developed processes for the authorisation, separation of duties and workflow associated with income</p>	<p>Testing of controls over receivables.</p> <p>Reliance on internal audit's continuous monitoring of</p>

Audit Risk	Source of assurance	Planned audit work
<p>complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud that requires an audit response.</p>	<p>streams. Clear schemes of delegation and authorised signatory databases are regularly updated. Financial systems have built in automated authorisation processes to ensure the risk of fraud is minimised.</p> <p>The annual internal audit plan includes a continuous monitoring programme of testing across income systems.</p> <p>The council has an established Counter Fraud Team.</p>	<p>income controls.</p> <p>Review of arrangements to prevent and detect fraud.</p> <p>Analytical procedures on income streams.</p> <p>Detailed testing of income transactions, including cut-off testing, focusing on the areas of greatest risk.</p>
<p>3 Risk of fraud over expenditure</p> <p>Most public sector bodies are net expenditure bodies, therefore the risk of fraud is more likely to occur over expenditure, due to the variety and extent of expenditure in delivering services. Specific fraud risks relevant to public sector audit include welfare benefits, grants and other claims made by individuals and organisations on the public purse.</p>	<p>The council has well developed processes for the authorisation, separation of duties and workflow associated with expenditure transactions. Clear schemes of delegation and authorised signatory databases are regularly updated. Financial systems have built in automated authorisation processes to ensure the risk of fraud is minimised.</p> <p>The annual internal audit plan includes a continuous monitoring programme of testing across expenditure systems.</p> <p>The council has an established Counter Fraud Team.</p>	<p>Walk-through of controls over payables.</p> <p>Reliance on internal audit's continuous monitoring of expenditure controls.</p> <p>Review of arrangements to prevent and detect fraud.</p> <p>Analytical procedures on expenditure transactions.</p> <p>Detailed testing of expenditure transactions, including cut off testing, focusing on the areas of greatest risk.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the following material account areas:</p> <ul style="list-style-type: none"> • non current assets (including heritage assets) • provisions (including equal pay claims) • pension liabilities. <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>Non current assets are professionally valued on a regular basis in accordance with a predetermined schedule.</p> <p>Provisions are reviewed by finance officers in consultation with the council's legal service.</p> <p>Pension liabilities are derived from valuation calculations prepared by actuaries appointed by Strathclyde Pension Fund.</p>	<p>Completion of "review of the work of an expert" for the professional valuers and actuaries.</p> <p>Review of accounting estimates and disclosures.</p> <p>Additional assurances obtained from legal and HR officers in relation to provisions.</p> <p>Focused substantive testing of non-current assets, provisions and pension liabilities including data submitted by the council to actuaries.</p>

Audit Risk	Source of assurance	Planned audit work
<p>5 Libraries and Leisure Trust</p> <p>On 1 October 2017, most of the council's museum, library and sports centre operations were transferred to LiveArgyll, an arms-length trust. This means that it will have an initial part year with costs between 1 April and 30 September 2017 being accounted for through the council's community & culture services and costs between 1 October 2017 and 31 March 2018 being treated as a global management fee payable to the new trust. There is a risk that cumulative transactions and balances as at the handover date may not be correctly accounted for.</p> <p>Also, with the accounting period end only two months way, the new Trust has still to confirm the appointment of external auditors.</p>	<p>The council is expected to conduct a mini year-end exercise to confirm relevant transactions and balances at the start of the new trust's operations and to review the calculation of the management fee.</p>	<p>Review of the council's mini year-end exercise including accounting cut-off at the transfer date, and income/assets/liabilities transferred.</p> <p>Obtain component auditor controls assurances and financial statement confirmations for group financial statements audit purposes.</p>
<p>6 New housing benefits system</p> <p>The council has implemented a new housing benefit system from February 2018 and has transferred existing housing benefit data from the current Northgate system to the new Civica system. The new system will be used to prepare the housing benefit subsidy claim for 2017/18.</p> <p>As with all new systems there is a risk that there are errors in the data transfer and the initial financial information produced. As this information feeds into the financial statements and the housing benefit subsidy claim, this results in a financial statements risk.</p>	<p>Project on schedule and progressing as planned.</p> <p>Reconciliation of transferred data performed.</p>	<p>Review of project management methodology and of implementation plan.</p> <p>Review of the reconciliations between the closing Northgate and opening Civica systems.</p>
Wider dimension risks		
<p>7 Financial sustainability</p> <p>Councils are continuing to face significant financial challenges with pressures on funding and increasing demand for services, creating the need to fundamentally and sustainably reconfigure service provision.</p> <p>As at 22 February 2018, the</p>	<p>Continued delivery of Service Choices savings options which align available budget with the council's priorities.</p> <p>Transformation Board is overseeing the implementation of savings options, exploring shared services and other alternative service delivery</p>	<p>Review of the council's annual budget setting arrangements.</p> <p>Assessment of the council's medium to long term financial strategy.</p> <p>On-going review of budget monitoring reports and other reports to members on financial</p>

Audit Risk	Source of assurance	Planned audit work
<p>mid-range scenario of the council's three year Budget Outlook from 2018/19 to 2020/21 estimates a budget gap of £4.1 million for 2019/20, rising to £10.4 million in 2020/21, with a balanced budget position forecast for 2018/19.</p> <p>This represents a financial sustainability risk for the council as the level of necessary budget savings may adversely affect the level and quality of service provision. The council has recognised this risk as part of its risk management process.</p>	<p>models.</p> <p>Regular monitoring and reporting on the delivery of savings options.</p> <p>A medium to long term financial strategy has been developed and agreed by members.</p>	<p>position.</p> <p>On-going review of the council's financial position and delivery of planned savings.</p>
<p>8 Financial sustainability</p> <p>The developing financial position of the Argyll and Bute Integration Joint Board (IJB) may impact upon that of the council going forward. Latest forecast overspend for the IJB is £2.915m and the share of this apportioned to Argyll and Bute Council is £1.915m.</p> <p>Indications are that future IJB overspends will increase, despite savings plans being developed.</p>	<p>Recovery plan in place to address overspend.</p> <p>Partner bodies will agree on accounting treatment of residual overspend.</p>	<p>On-going review of IJB financial performance and delivery of savings.</p>
<p>9 Workforce planning</p> <p>Following from our 2016/17 annual audit report recommendation, the council is developing its strategic workforce plan which is a key element in the development of the council's medium to long term financial strategy and its service redesign plans. However, the plan is yet to be finalised for approval by the full council.</p> <p>Until the strategic workforce plan is finalised, the risk remains that the council may be unable to deliver its corporate strategy and service redesign plans due to any emerging skills and capacity gaps.</p>	<p>The strategic workforce plan is expected to be approved by the council in April, 2018.</p>	<p>Assessment of the strategic workforce plan once approved.</p>
<p>10 Governance and transparency</p> <p>In May 2017, the council formed a new Audit and Scrutiny Committee (ASC) by merging its previous Audit and Performance</p>	<p>Development sessions held for the ASC members.</p> <p>Experienced Chair of the previous Audit Committee and experienced Vice Chair</p>	<p>Attendance by external audit at all meetings of the ASC, to observe and monitor the level of scrutiny and overall effectiveness of the new</p>

Audit Risk	Source of assurance	Planned audit work
<p>Review and Scrutiny Committees. The working arrangements and dynamics of all new committees will take some time to settle. Also the Terms of Reference (ToR) for its scrutiny function are still in development.</p> <p>Until this is finalised and the scrutiny function commences, there is a risk that the combined committee is not operating effectively.</p>	<p>appointed.</p> <p>ToR for the scrutiny function will be agreed at the ASC meeting in March 2018.</p>	<p>combined committee.</p>

Charitable Trusts Administered by Argyll and Bute Council

3. The Charities Accounts (Scotland) Regulations 2006 specify the accounting and auditing requirements for Scottish registered charities. The council acts as the sole trustee to eight individual charitable trusts.
4. We will carry out the audit of the council's charitable trusts in parallel with the audit of Argyll and Bute Council's financial statements. There are no specific financial statements risks for these audits which we require to bring to your attention except for the risk of the management override of controls which is, according to ISA240, presumed to be a significant risk in any audit. This includes the risk of management override of controls to change the position disclosed in the financial statements. Planned audit work due to this risk will be proportionate to the size of the charitable trusts and will include a review of accounting estimates and substantive testing of transactions as appropriate to confirm that income and expenditure is accounted for in the correct period.
5. However, as noted in our report to those charged with governance on the 2016/17 audit:
 - Six out of eight trusts are dormant, and there may be a perception that they are not being run for the public benefit. Trustees should consider whether the trusts are fulfilling their objectives and whether they should be wound up. The council is continuing to conduct a review of all its charitable trusts but, until this is concluded, there remains a risk that the trustees are not fulfilling the terms of the trust deeds.
 - The council has decided not to recharge any administration costs to the trusts in 2016/17. This policy is disclosed in the Notes to the Accounts for all trusts. As a result the full costs incurred in administering the trusts are not known by the trustees.

We will follow up on these issues as part of this year's trust audits.

Reporting arrangements

6. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

7. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.
8. We will provide an independent auditor's report to Argyll and Bute Council and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Council and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2017/18 Audit outputs

Audit Output	Target date	Audit and Scrutiny Committee Date
Annual Audit Plan	March 2018	20 March 2018
Interim Audit Report	June 2018	19 June 2018
Annual Audit Report	September 2018	25 September 2018
Independent Auditor's Report	September 2018	25 September 2018

Audit fee

9. The agreed audit fee for the 2017/18 audit of Argyll and Bute Council is £255,454 (2016/17: £255,908). This includes £3,350 in respect of the separate audits required for the council's charitable trusts. In determining the audit fee we have taken account of the risk exposure of Argyll and Bute Council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 29 June 2018.
10. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Audit and Scrutiny Committee and Accountable Officer

11. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.
12. The audit of the financial statements does not relieve management or the Audit and Scrutiny Committee, as those charged with governance, of their responsibilities.

Appointed auditor

13. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 Act, and the Code of Audit Practice (including supplementary guidance), and are guided by the auditing profession's ethical guidance.

14. Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

- 15.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:
- understanding the business of Argyll and Bute Council and the associated risks which could impact on the financial statements
 - assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
 - identifying major transaction streams, balances and areas of estimation and understanding how Argyll and Bute Council will include these in the financial statements
 - assessing the risks of material misstatement in the financial statements
 - determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.
- 16.** We will give an opinion on the financial statements as to:
- whether they give a true and fair view, in accordance with applicable laws and the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the 2017/18 Code), of the state of the affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended
 - whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code
 - whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

- 17.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements on the financial statements and in forming our opinion in the auditor's report.
- 18.** We calculate materiality at different levels as described below. The calculated materiality values for Argyll and Bute Council are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross service expenditure for the year ended 31 March 2018, based on the audited accounts for 2016/17.	£4.07 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of planning materiality.	£2.44 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£41 thousands

Source: Audit Scotland



19. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issues identified will be reported to the Audit and Scrutiny Committee.

Timetable

20. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit and Scrutiny Committee dates.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	19 June 2018
Latest submission date of unaudited annual accounts with complete working papers package	29 June 2018
Latest submission date for unaudited WGA return	20 July 2018
Latest date for final clearance meeting with Head of Strategic Finance	29 August 2018
Issue of letter of representation and proposed independent auditor's report	18 September 2018

Agreement of audited unsigned annual accounts	18 September 2018
Issue of Annual Audit Report including ISA 260 report to those charged with governance	18 September 2018
Independent auditor's report signed	By 28 September 2018
Latest date for signing of WGA return	28 September 2018

Internal audit

21. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by the council's own internal audit service overseen by a Chief Internal Auditor.

Adequacy of Internal Audit

22. Our review of internal audit concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. We intend to place reliance on IA work as outlined below.

Areas of Internal Audit reliance

23. To support our audit opinion on the financial statements we plan to place formal reliance on the following planned internal audit reviews:

- Continuous monitoring programme – General ledger, Creditors, Debtors, Payroll, Treasury management, Council tax and NDR
- Fees and charges
- Lending/Awards controls – SHF, Rural Resettlement Fund, Leader and Flag
- Travel and subsistence .

24. In respect of our wider dimension audit responsibilities we also plan to consider other areas of internal audit work including:

- Continuous monitoring programme – Arrangements for prevention and detection of fraud, Anti fraud strategy, Serious organised crime and Budgeting
- ICT – Service level agreements and Systems development
- Governance – Records management plan, Gifts and hospitality
- Performance management – Performance reporting and Accuracy of LGBF submissions
- Financial management – VAT compliance, and Earmarked reserves.

Audit dimensions

25. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

26. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

27. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the council's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the council can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

28. The council is currently forecasting, within a mid-range scenario, a balanced budget position for 2018/19, with a funding gap of £4.124 million in 2019/20 rising to £10.373 million in 2020/21. This represents a financial sustainability risk for the council as the level of necessary budget savings may adversely affect the level and quality of service provision. We will closely monitor the council's budget setting process and delivery of necessary savings throughout the course of the 2017/18 audit. We will also assess the council's medium to long term financial strategy.

- 29.** The council's strategic workforce plan has yet to be finalised for approval by the full council. This is a key element in the development of the council's medium to long term financial strategy, and its service redesign plans. The plan is expected to be available for approval by the council at its April 2018 meeting. Until the strategic workforce plan is finalised, the risk remains that the council may be unable to deliver its corporate strategy and service redesign plans due to capacity and skills gaps in key areas.
- 30.** There were no other significant financial sustainability risks identified by our planning work that we intend to undertake specific work on in 2017/18.

Financial management

- 31.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:
- whether the council has arrangements in place to ensure systems of internal control are operating effectively
 - whether the council can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
 - how the council has assured itself that its financial capacity and skills are appropriate
 - whether the council has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.
- 32.** There were no significant financial management risks identified by our planning work that we intend to undertake specific work on in 2017/18.

Governance and transparency

- 33.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:
- whether the council can demonstrate that the governance arrangements in place are appropriate and operating effectively (including services delivered by, or in partnership with, others such as ALEOs)
 - whether there is effective scrutiny, challenge and transparency on the decision – making and finance and performance reports.
 - the quality and timeliness of financial and performance reporting.
- 34.** In May 2017, the functions of the Audit and the Performance Review and Scrutiny Committees were merged to form the Audit and Scrutiny Committee (ASC). An experienced Chair of the previous Audit Committee has been appointed to the ASC, with a senior elected member as Vice Chair. Development sessions have been held for the members of the combined committee. Terms of Reference (ToR) for its scrutiny function are still in development and until this is finalised and the scrutiny function commences, there is a risk that the combined committee is not operating effectively.
- 35.** There were no other significant governance and transparency risks identified by our planning work that we intend to undertake specific work on in 2017/18.

Value for money

- 36.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- the council can provide evidence that it is demonstrating value for money in the use of its resources.
- the council can demonstrate that there is a clear link between money spent, output and outcomes delivered.
- the council can demonstrate that outcomes are improving.
- there is sufficient focus on improvement and the pace of it.

37. There were no significant value for money risks identified by our planning work that we intend to undertake specific work on in 2017/18.

Best Value

38. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. The introduction of the new approach coincides with the new five year audit appointments. Auditors have been using the framework for their audit work since October 2016.

39. A key feature of the new approach is that it integrates Best Value into the wider scope annual audit, which will influence audit planning and reporting. Best Value is assessed comprehensively over the five year audit appointment, both through the on-going annual audit work, and also through discrete packages of work to look at specific issues. Conclusions and judgements on Best Value will be reported through:

- the Annual Audit Report for each council, which will provide a rounded picture of the council overall
- an Annual Assurance and Risks report that the Controller of Audit will provide to the Accounts Commission and which will highlight issues from across all 32 council annual audit reports
- a Best Value Assurance Report (BVAR) for each council that will be considered by the Accounts Commission at least once in a five year period.

40. The six councils on which a BVAR will be published during the second year of the new approach are listed in [Exhibit 6](#). Reports will be considered by the Accounts Commission in the period between April 2018 and November 2018.

Exhibit 6

2017/18 Best Value Assurance Reports

East Ayrshire Council	Glasgow City Council
Dumfries and Galloway Council	West Dunbartonshire Council
East Lothian Council	Fife Council

Source: Audit Scotland

41. The work planned in Argyll and Bute Council this year will focus on the council's arrangements for demonstrating Best Value in partnership and collaborative working, and in community responsiveness. The work will be integrated with that described above in these areas. It will involve us gaining an understanding of how effective the council's partnership working and its work

on community empowerment are in driving improvement across the council. The results of this work will be reported in the Annual Audit Report.

42. As part of our 2016/17 audit we reviewed progress made by the council in response to the Best Value report published in December 2015. We reported our findings in our 2016/17 Annual Audit Report. We will review any further progress against remaining actions and report the results of this review in our 2017/18 Annual Audit Report.

Independence and objectivity

43. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.
44. The engagement lead for Argyll and Bute Council is David McConnell, Assistant Director. The engagement lead for the charitable trusts is Ursula Lodge, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Argyll and Bute Council.

Quality control

45. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.
46. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice and relevant supporting guidance issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews, and is currently reviewing the arrangements for external quality reviews.
47. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Adding Value

48. Through our audit work we aim to add value to the Audited Body. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the Audited Body has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

Argyll and Bute Council

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