Draft Annual Audit Report

Argyll and Bute Council – Year ended 31 March 2023

March 2024

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Contents

01 Executive summary

02 Status of the audit

03 Audit approach

04 Significant findings

05 Internal control recommendations

06 Summary of misstatements

07 Wider scope

08 Best Value

Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Appendix E: Wider scope and Best Value ratings

Our reports are prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 18 May 2022 through which the Accounts Commission has appointed us as external auditor of Argyll and Bute Council (the Council) for financial years 2022/23 to 2026/27. We undertake our audit in accordance with Part VII of the Local Government (Scotland) Act 1973, as amended; and our responsibilities as set out within Audit Scotland's Code of Audit Practice 2021.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and made available to Audit Scotland, the Accounts Commission and the Controller of Audit. We take no responsibility to any member or officer in their individual capacity or to any other third party.
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01 March 2024

Argyll and Bute Council

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Dear Committee Members and Controller of Audit,

Annual Audit Report – Year ended 31 March 2023

We are pleased to present our Annual Audit Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions and findings from our considerations of the wider scope audit specified in the Code of Audit Practice 2021 namely, financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 3 May 2023 to the Audit Committee. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of the Council's team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07813752053.

Yours faithfully

Cameron Waddell (Partner)

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01

Section 01:

Executive summary

1. Executive summary

Audit conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from Part VII of the Local Government (Scotland) Act 1973 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of Controls
- Valuation of the net defined benefit liability
- Valuation of property, plant and equipment
- Accounting for PFI and PPP contracts
- IT system change

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, some matters remain outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter.

Conclusions from our audit testing and audit opinion

We have concluded our audit in respect of the financial statements for the year ended 31 March 2023. Based on our audit work completed to date we have the following conclusions:

Audit opinion
We expect to issue an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Matters on which we report by exception
We are required by to report to you if, during the course of our audit, we have found that adequate accounting records have not been kept; the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit.
We have nothing to report in respect of these matters.

Governance Statement
We are required to report on whether the information given in the Annual Governance Statement is materially inconsistent with the financial statements; has not been properly prepared in accordance with the Delivering Good Governance in Local Government Framework 2016; or is materially misstated.
We have no matters to report in respect of the Annual Governance Statement.

1. Executive summary (continued)

Conclusions from our audit testing and audit opinion (continued)

Other information
We are required to report on whether the other information (comprising of Management's Commentary, Statement of Responsibilities and the unaudited parts of the Remuneration Report), is materially inconsistent with the financial statements; has not been properly prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; or is materially misstated.
No inconsistencies have been identified and we are proposing to issue an unmodified opinion in this respect.

Whole of Government Accounts (WGA)
The Council is below the threshold for auditor assurance set by the Scottish Government for all public bodies in Scotland. We are therefore not required to perform any examination of the Council's WGA return.

Wider powers
Section 101 of the Local Government (Scotland) Act 1973 requires us to give any person interested, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any such correspondence from electors.

1. Executive summary (continued)

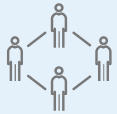
Best Value and Wider Scope conclusions

As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021 and sits alongside Best Value requirements detailed the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of the Council's performance of Best Value and community planning duties and make recommendations for improvement and, where appropriate, conclude on the Council's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

It remains the responsibility of the Council to ensure that it makes proper financial stewardship of public funds, complies with relevant legislation, and establishes effective governance of their activities. The Council is also responsible for ensuring that they establish arrangements to secure continuous improvement in performance and, in making those arrangements, ensure resources are being used to improve strategic outcomes and demonstrate the economy, efficiency, and effectiveness throughout the use of its resources. These arrangements should be proportionate to the size and type of the Council, appropriate to the nature of the Council and the services and functions that it has been created to deliver.



Wider Scope
We have not identified any risks in arrangements to report in relation to the financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes arrangements that the Council has in place.
Further detail on our Wider Scope work is provided in section 7 of this report.

Best Value
We have not identified any risks to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
Further detail on our Best Value work is provided in section 8 of this report including any significant risks identified.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Risk of material adjustment or significant change	Description of the outstanding matters
Audit quality control and completion procedures	Medium	Completion of Manager and Partner review and our quality control processes in respect of the audit. Review of post balance sheet events up to the point at which we sign our audit report.
Annual report and accounts and letter of representation	Low	We will complete our final review of the annual report and accounts upon receipt of the final signed version of the accounts and letter of representation.
Trust Accounts	Low	We are still performing procedures in regard to the Trust's audit. We plan to complete the Trust's Audit within March 2024.
Property, Plant and Equipment Valuation	Low	We are finalising our work in this area
Income Cut Off	Low	We are finalising our work in this area
Expenses Cut Off	Low	We are finalising our work in this area
Loans and borrowings	Low	We are finalising our work in this area
Grant Income	Low	We are finalising our work in this area

High - Likely to result in material adjustment or significant change to disclosures within the financial statements.

Medium - Potential to result in material adjustment or significant change to disclosures within the financial statements.

Low - Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £8.907m for the Council and £8.997m for its group using a benchmark of 2% of gross revenue expenditure at surplus/deficit level. Our final assessment of materiality, based on the final financial statements, is £9.529m for the Council and £9.665m for the group using the same benchmark.

We set a clearly trivial level at the planning stage of the audit of £267k for the Council and £269k for the group. We have capped this at £250k to comply with the maximum threshold allowed by Audit Scotland.

Use of experts

We used our experts to assist us in obtaining sufficient appropriate audit evidence in relation to specific areas of the accounts. In addition to the experts listed in our Audit Strategy Memorandum, we used Mazars' Real Estate Valuation Team to review the Council's valuation methodology on DRC and EUV assets, consider the Council's non-revalued assets methodology on DRC assets and review the Council's approach to non-revalued EUV assets.

Charitable Trusts

At the planning stage of the audit, we set separate materialities for each of the charitable trusts. We have reviewed our methodology and set a single materiality to reflect that the charitable trusts financial statements are covered by a single audit opinion. Our provisional materiality at the planning stage of the audit was set at £15,500. Our final assessment of materiality, based on the final financial statements, is £15,359 using the same benchmark.

We have provided our consideration of our independence as part of the Council engagement and Charitable Trust engagement in Appendix C.

3. Audit approach (continued)

Group audit approach

Group component	Approach adopted	Key points or other matters to report
Argyll and Bute Integration Joint Board	Desktop review procedures	No key points to report
Dunbartonshire and Argyll & Bute Valuation Joint Board	Desktop review procedures	No key points to report
Strathclyde Partnership for Transport	Desktop review procedures	Consolidation basis challenged and amended
Strathclyde Concessionary Travel Scheme Joint Committee	Desktop review procedures	Consolidation basis challenged and amended
Live Argyll	Audit of one or more account balances, classes of transactions or disclosures. i.e. pensions related transactions, balances and disclosures.	Assurances were not received from the Strathclyde Pension Fund auditor in relation to Live Argyll's pension figures, leading to the audit team needing to perform alternative procedures. .
Common Good Accounts for the former Burghs of Oban, Campbeltown, Rothesay, Dunoon, Lochgilphead, Inveraray, Cove and Kilcreggan	Desktop review procedures	No key points to report

Full audit
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures
Performance of specific audit procedures on the component's financial information

Review procedures
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 19 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls (Council and Charitable Trusts)	**Description of the risk** Management at various levels within an organisation are 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. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
	How we addressed this risk We addressed this risk through: • Reviewing the key areas of the financial statements where management has used judgement and estimation techniques and considering whether there is evidence of unfair bias; • Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; and • Considering and testing any significant transactions outside the normal course of business or otherwise unusual.
	Audit conclusion Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material issues to bring to your attention.

4. Significant findings (continued)

Valuation of property, plant and equipment	**Description of the risk** The Council held land and buildings (including council dwellings) with a net book value of £415 million at 31 March 2022, and £451 million at 31 March 2023. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five-year cycle. This may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have been revalued in year is materially different from the year end fair value. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. Due to the high degree of estimation uncertainty associated with valuations, we have determined there is a significant risk in this area. **How we addressed this risk** We addressed this risk through: • Assessing the scope and terms of engagement with the in-house Valuer; • Assessing the competence, skills and objectivity of the in-house Valuer; • Assessing how management use the in-house Valuer's report to value land and buildings included in the financial statements; • Testing the accuracy of the data used in valuations; • Challenging the Council and in-house Valuer's assumptions and judgements applied in the valuations; • Reviewing the valuation methodology used, including the appropriateness of the valuation basis; and • Considering the reasonableness of the valuation by comparing the valuation output with market intelligence. • Testing a sample of revaluations in the year, by agreeing the revaluations recorded in the Annual Accounts to the in-house valuer's reports. As part of this testing, we have confirmed that the movements have been accounted for in accordance with the Code. • Challenging management's assessment for those assets not subject to valuation in the year and consulted with our internal property experts. • For those valued on Existing Use Value on a market comparable basis, our property experts assisted us in checking market movements and confirmed immaterial potential movement for 2022/23. • For those valued on a Depreciated Replacement Cost basis, which would be impacted by changes in build costs during the year, we tested management's analysis of changes in the Build Costs Information Service (BCIS) index with no exceptions noted. We engaged the Mazars Real Estate Valuation Team to assist us with the above. **Audit conclusion** Except for the work highlighted in section 2 of this report, our work in this area is substantially complete, and we do not expect to report any material issues for your attention. We note that there was robust discussion with management and additional audit effort on assumptions around assets not revalued in the year measured at Existing Use Value, in arriving at this conclusion.

4. Significant findings (continued)

Valuation of the net defined benefit liability/surplus	**Description of the risk** The Council had a net defined benefit surplus of £4.6 million at 31 March 2022, and a net defined benefit surplus of £232 million in the unaudited accounts at 31 March 2023. Estimation of the net pension asset or liability depends on several complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.
	How we addressed this risk We addressed this risk through: • reviewing the controls that the Council has in place over the information sent to the Scheme Actuary by the fund administrators (Strathclyde Pension Fund). • assessing the skill, competence and experience of the Fund's actuary; • challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation. We for example challenged the basis for the computation of asset ceiling used by the actuary in terms of the time horizon of funding applied to the Council in computing the present value of past service contributions, leading to a revision in time horizon applied in the computation from the initial 12 years to indefinite period/perpetuity. This resulted in the Council revising its pension asset down to £139.014m from the £232m in the unaudited accounts for 2022/23. • carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation; • Obtaining assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary. In this regard, we noted from the assurance received a net understatement error in pension assets, which when applied to the Council based on a proportion of council's pension assets to total pension fund assets resulted in an estimated unadjusted error/understatement of pension assets of £2.417m. See Section 6. • Assessing the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund Annual Accounts;
	Audit conclusion Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material unadjusted issues to bring to your attention. We note that there was robust discussion with management and additional audit effort on assumptions around the value of pension assets recognised in the financial statements. Subsequently management passed audit adjustments to the financial statements in respect of revised asset ceilings, see Section 6.

4. Significant findings (continued)

Key areas of management judgement and enhanced risk

Accounting for PFI and PPP contracts	**Description of the risk** The Council currently operates three Private Finance Initiative (PFI), or similar, contracts which are accounted for as Service Concession arrangements under IFRIC12 – Service Concession Arrangements. The Council has determined that in the case of the Schools NPDO contract and the new Schools DBFM contract, the Council has control over the services provided through use of the schools and that a qualifying asset has been created. Therefore, the assets are included on the Council's Balance Sheet along with a finance lease liability. The Council also operates a Waste Management PPP contract. In this case the Council determined that a "qualifying asset" has not been created and that the Council does not have significant control over the services being provided. Therefore, the asset has not been included on the Council's Balance Sheet and payments to the contractor are charged to the appropriate service line within the Comprehensive Income and Expenditure Account. The method of accounting for PFI and PP assets can be complex and involves management judgement as set out in Note 3 to the financial statements. Therefore, there is a potential risk of material misstatement if the Council fails to appropriately account for these assets.
	How we addressed this risk We addressed this risk through reviewing the Council's adopted approach for accounting for its PFI and PPP schemes.
	Audit conclusion Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material unadjusted issues to bring to your attention

4. Significant findings (continued)

Key areas of management judgement and enhanced risk

IT system change	**Description of the risk** During the year, the Council changed its core financial accounting system to Oracle Fusion. At the time of implementation, the Council undertook detailed mapping and matching exercises to ensure that 2021/22 balances and 2022/23 transactions were accurately and completely transferred from the old to the new system.
	How we addressed this risk We undertook a high-level assessment of the data migration governance to address the completeness and accuracy of the system implementation. As part of our work we undertook sample testing of balances being transferred between the systems to ensure their completeness and accuracy.
	Audit conclusion Our work has provided the assurance we sought in each of these areas and as at the time of this report has not highlighted any material unadjusted issues to bring to your attention

4. Significant findings (continued)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

The unaudited annual report and accounts were received from the Council and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- **First year audit procedures**. Auditing standards require us to carry out additional specific procedures for the first year of an audit. These include: seeking professional clearance confirmations from the predecessor auditor, reviewing the predecessor auditor's working papers and reports and specific procedures over brought forward balances. As part of this work, we discussed controls in place for key information systems with management.
- **Audit of areas with Complex Accounting Estimates**. As outlined in the previous section, we discussed with management and tested the areas of valuation of defined benefit liability/assets and property, plant and equipment as areas involving complex estimations and judgement. These areas took significant audit effort.
- **Consideration of Consolidation Basis**. We discussed with management in detail the consolidation basis for its related parties, in particular the Strathclyde Partnership for Transport and the Strathclyde Concessionary Travel Scheme Joint Committee, which were initially accounted for as associates in the Group Accounts of the Council but did not appear to meet the criteria set in the Code and accounting standards.

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management.

The Council did not meet the submission date of 30 September 2023, specified in the Local Authority Accounts (Scotland) Regulations 2014, for approval of its audited annual accounts. Mazars has discussed the implications of this with Audit Scotland who confirmed there are no consequences for the Council.

The main reasons the submission date was not met include:

- Significant difficulties in recruiting auditors with relevant skills and experience. Whilst these have been resolved, the delay in recruitment significantly impacted on our ability to deliver the audit on a timely basis.
- The need to undertake additional work in the first year of the audit to gain assurance over the opening balances in the financial statements and understand the Council.
- The need to address the implementation of International Standard on Auditing (ISA) 315 Revised. This required the audit team to spend additional time on the audit
- Areas of the audit that required further attention upon commencement of the fieldwork phase due to complexity/judgement.

4. Significant findings (continued)

Wider responsibilities

The 1973 Act gives rights to any person interested, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

We are required to notify the Controller of Audit when circumstances indicate that a statutory report may be required.

- Section 102(1) of the 1973 Act allows us to prepare a report to the Commission about the Council's accounts; matters that have arisen during the audit that should be brought to the attention of the public; or the performance of the Council in their duties relating to Best Value and community planning.
- Section 102(3) of the 1973 Act allows us to make a special report to the Commission if an item of account is contrary to law; there has been a failure on someone's part to bring into account a sum which ought to have been brought into account; a loss has been incurred or deficiency caused by the negligence or misconduct of a person, or by the failure of a body to carry out a duty imposed on them by any enactment; or a sum which ought to have been credited or debited to one account of a body has been credited or debited to another account and the body has not taken, or is not taking, steps to remedy the matter.
- Section 97A of the 1973 Act allows us to undertake or promote comparative and other studies to make and publish recommendations for the securing by local government bodies of Best Value, improving economy, efficiency and effectiveness in the provision of services by local government bodies and improving the financial or other management of local government bodies.

We have no indication that a statutory report may be required.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Audit Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations (continued)

Other deficiencies in internal control – Level 2

Description of deficiency – Property Plant and Equipment Valuation Reconciliations

The Council does not as regular practice maintain a summary of the results of the inhouse valuation undertaken under Programme 1 and Programme 2, showing total values of assets revalued under each category and reconciling the assets revalued as part of the 5-year rolling programme to the valuation certificates and to the amounts recorded in the Fixed Assets Register and General Ledger.

Potential effects

The lack of this summary/reconciliation could mean that the completeness and valuation of Property, Plant and Equipment are misstated. The lack of this reconciliation also contributed to making this audit area difficult and time consuming to reconcile the valuation reports with the fixed asset register with the general ledger. This also led to additional requests being made during the audit process.

Recommendation

As regular practice, management should prepare and maintain a reconciliation of the results of any revaluation exercises conducted with the fixed asset registers/general ledger and maintain summaries that agree as appropriate.

Management response

We currently carry out a reconciliation/check between the General Ledger, Asset Register and Valuation Certificates, however, there is no summary spreadsheet that demonstrates this 3 way check, only the check between the General Ledger and Asset register is recorded. We will look to provide a summary spreadsheet to assist the audit process in future years.

Other deficiencies in internal control – Level 2

Description of deficiency – Errors in Exit Packages

Our testing of payroll identified four (4) exit packages that had errors on the redundancy request forms and amounts per workings. The differences were likely due to the two information systems used by the Council that is the HR system and the redundancy forms which would have been signed prior to the member leaving.

Potential effects

Amounts paid out to former staff may be inaccurate and could lead to complaints and further action by affected staff and reputational risk for the Council.

Recommendation

Management should use one system (HR system) for the calculation of exit packages.

Management response

The redundancy forms are signed off at an early stage in the process of allowing an employee to leave and the figures at that time are an estimate of the costs that will be incurred. As this form is authorised several weeks before the official agreed leaving date the figures can change and the actual amount due to the employee can be different from the original estimate. The four differences picked up by MAZARS had already been identified during the accounts preparation process, checked with HR and the appropriate back-up was provided to Mazars as part of the audit. There will always be a small movement in figures between the date the form is signed and the leaving date. This is not an error and is unavoidable but provides the best estimate at that point in time.

5. Internal control recommendations (continued)

Other recommendations in internal control – Level 2

Description of deficiency – Related Parties Declarations

Our testing of identified several Annual Declaration forms for the Councillors had not been signed and the form initially submitted for audit had no dates, signatures. As the audit progressed more forms were subsequently obtained and provided to us.

Potential effects

Councillors/management not acting in the best interest of Council or with conflicts of interest may not be identified in a timely manner.

Recommendation

Management should establish and improve the procedures around annual declaration forms for related party transactions and work closely with Councillors and other relevant related parties to ensure the declarations are appropriately completed and signed off, in a timely manner.

Management response

We will consider how to revise our current process to ensure that we receive completed forms back from all Elected Members in a timely manner.

5. Internal control recommendations (continued)

Follow up on previous internal control points

Description of deficiency

The Charities Accounts (Scotland) Amendment Regulations 2010 permits a single set of accounts for connected charities. However, Argyll and Bute Council does not apply the connected charities provision and currently prepares a separate set of annual accounts for each Section 106 charity.

Potential effects

Duplication of efforts on the Finance Team.

Recommendation

The Council should apply the connected charities provision to reduce the number of annual accounts prepared for its Section 106 charities.

2022/23 update

For 2022/23 the Council has applied the connected charities provision as recommended. Resolved.

Follow up on previous internal control points

Description of deficiency

The previous auditors requested that management, in consultation with a qualified valuer, carried out an additional assessment of the value of assets that had not been valued in 2021/22.

Potential effects

As a result of this work, the estimated value of non-current assets increased by £29.9 million.

Recommendation

Management should put in place a process to ensure that an assessment of the value of assets not revalued in year is carried out on an annual basis.

2022/23 update

In 2022/23 management had in place a process to ensure that they assessed the value of assets not revalued in year. We noted one exception to this in terms of assets valued under Existing Use Value, but upon further discussion, the estimated difference in value for these assets was not significant. Resolved.

06

Section 06:

Summary of misstatements

6. Summary of misstatements - Council

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £250k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
1	Debit: Pension Asset			2,417		To adjust for error apportioned to Argyll and Bute Council from Strathclyde Pension Fund for understatement of private equity, debt infrastructure and direct impact portfolio
1	Credit: CIES Remeasurement of net defined liability		2,417			-
	Total unadjusted misstatements		**2,417**	**2,417**		

6. Summary of misstatements – Council (Continued)

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £250k. There were no unadjusted misstatements.

The table outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
1	Debit: Pension Reserve			99,179		To adjust pension liability for the asset ceiling
1	Credit: Pension Liability				99,179	-
2	Debit: Pension Liability			6,120		To recognise revised remeasurements in Other Comprehensive Income and Expenditure from amended Actuary's report
2	Credit: Pension Reserve				6,120	-
3	Debit: Expenditure Bank Account			1,586		Reversal of Matching adjustments to reflect previously done adjustments.
3	Credit: Live Argyll Expenditure Bank Account				1,586	-
4	Debit: Expenditure Bank Account			1,554		Reversal of Matching adjustments to reflect previously done adjustments.
	Credit: Live Argyll Expenditure Bank Account				1,554	-

6. Summary of misstatements – Council (Continued)

Adjusted misstatements (Continued)

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
5	Debit: Expenditure Bank Account			1,443		Reversal of Matching adjustments to reflect previously done adjustments.
1	Credit: Live Argyll Expenditure Bank Account				1,443	-
6	Debit: Expenditure Bank Account			1,346		Reversal of Matching adjustments to reflect previously done adjustments.
2	Credit: Pension Reserve				1,346	-
7	Debit: Expenditure Bank Account			629		Reversal of Matching adjustments to reflect previously done adjustments.
3	Credit: Live Argyll Expenditure Bank Account				629	-
8	Debit: Expenditure Bank Account			348		Reversal of Matching adjustments to reflect previously done adjustments.
	Credit: Live Argyll Expenditure Bank Account				348	-
-	**Total adjusted misstatements**			112,205	112,205	-

6. Summary of misstatements (continued)

Disclosure amendments

We identified the following disclosure adjustments during our audit that have been corrected by management:

- Remuneration report:- Minor disclosure narrative amendments to the remuneration report
- The figure for depreciation in the unaudited accounts within Note 7.1 was incorrect at £35,089. The council amended the Note to correct this figure to £27,828.
- The amount originally disclosed for the climate change project NDEEF1 contract was incorrect - originally £1,370k, this was amended to £1,192k following audit testing
- Amount disclosed under IFRS15 changed on Note 7.2 – with the IFRS15 revenue disclosed increasing from £28,063k to £32,900k within the note
- Note 27.1 Financial instruments was amended to eliminate assets and liabilities whose nature meant they were excluded from recognition as financial instruments in line with the Code.
- Note 36 in the audited Financial Statements updated total net assets for trusts to £2,278k from £2,273k in the unaudited financial statements.
- There were other adjustments to the annual report and accounts for minor disclosure, consistency or presentational matters.

We identified the following minor disclosure adjustment during our audit that has not been corrected by management:

- The Statement of Cashflows was presented in a manner slightly inconsistent with established practice, in that the movements in operating cash flow were represented in the direction opposite to the expectation for example increase in debtors represented as a positive cash flow movement rather than negative.

6. Summary of misstatements – Group

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £250k.

Adjusted misstatements

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of adjusted misstatement
1	Debit: Comprehensive Income and Expenditure Statement			5,644		To derecognize the consolidated Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee
1	Credit: Investment in Associates and Joint Ventures (previously accounted for on an equity basis)				5,644	
	Total Adjusted misstatements			**5,644**	**5,644**	

07

Section 07:

Wider scope

7. Commentary on Wider Scope

Overall summary

7. Commentary on Wider Scope

Wider scope summary

As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021 and sits alongside Best Value requirements detailed the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of the Council's performance of Best Value and community planning duties and make recommendations for improvement and, where appropriate, conclude on the Council's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

	Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
	Financial management	33	No	No	No
	Financial sustainability	39	Yes – see risk 1 on page 40	No	No
	Vision, leadership and governance	42	No	No	No
	Use of resources to improve outcomes	46	No	No	No

7. Commentary on Wider Scope

Financial management

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

7. Financial management

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial management culture	The Council has approved a Local Code of Corporate Governance. This sets out its commitment to achieving good governance. The Code covers how the Council will manage risks and its performance through robust internal control and strong public financial management. The Council has a system of internal control which is designed to manage risk to a reasonable level. Key features include: • Codes of conduct for employees and members • Scheme of delegation, standing orders and financial regulations • Regular management information, financial regulations and a system of delegation and accountability • A risk management framework and strategic risk register • An induction programme for new and returning councillors and regular training seminars.	The Council has an appropriate financial management culture in place. It reviews its system of internal financial control annually.	No significant issues identified.

7. Financial management (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Accountability	Officers regularly presented financial performance reports to the Council during 2022/23 to update members on the Council's position against budget and the progress of savings programmes. The reports provide sufficient detail for Council members to effectively scrutinise the Council's finances. In 2022/23, the Council recorded an accounting deficit of £6.047 million within the Comprehensive Income and Expenditure Statement. There was an overall underspend against the revenue budget of £3.273 million.	The Council has appropriate budget monitoring and reporting arrangements in place.	No significant issues identified.

7. Financial management (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption	The Council has established arrangements for preventing and detecting fraud and corruption. These include: • Whistleblowing policy • Anti-fraud strategy • Codes of conduct for councillors and officers. The Council has a dedicated counter-fraud team which sits within its internal audit function to investigate fraudulent claims covering tenancy, procurement, council tax reduction, Scottish Welfare Fund, social care, employee, insurance, council tax exemptions and discounts and blue badges. Individuals can report concerns by phone, email or through an online form on the Council's website.	The Council has appropriate arrangements to prevent and detect fraud and corruption.	No significant issues identified.

7. Commentary on Wider Scope

Financial sustainability

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

7. Financial sustainability

Significant risks

We have outlined below the risks of significant risks in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

	Significant Risk in Arrangements Identified	Work undertaken and the results of our work
1	**Financial sustainability** Councils continue to face significant financial challenges with pressures on funding and increasing demand for services. Budget estimates (prior to setting the 2024/2025 budget) anticipate an in-year budget gap of £10.167 million for 2024/25, rising to a cumulative budget gap of £39.471 million by the end of 2028/29 based upon a 'midrange' scenario. The Council's 'worst case' scenario highlights a potential £90.133 million cumulative budget gap by the end of 2028/29. These figures do not include potential future years options e.g. fees and charges inflationary increase, council tax increase, etc. This represents a risk in relation to financial sustainability, impacting on the future provision of services in the Council's area.	**Work undertaken** We reviewed the Council's: • medium to long term financial strategy; • financial position and track record in delivering planned recurrent and non-recurrent savings in 2022/23; • financial performance in 2023/24 and updates to its financial planning during the year, including the implications for general reserves balances; • regular reporting to members on financial performance, savings plans and financial risks; and • progress in developing plans to address future year budget gaps. **Results of our work** • The Council achieved planned savings in 2022/23. • The Council reported an overall accounting deficit within its Comprehensive Income and Expenditure Statement. • The Council had an underspend on the revenue budget in 2022/23 of £3.273 million. • Officers present regular financial updates and budgetary control reports to Council meetings. These provide an update on the general services revenue budget and the Council's capital programme. Reports include additional information on budget variances and updates on the progress of agreed savings. • The Council has established a cross-party budget working group to ensure that there is early engagement on budget proposals. • The Budget for 2024/25 has been approved in February 2024, with the Council being the first in Scotland to approve a Council Tax increase, with this set to be at 10%, against the backdrop of the Scottish Government's council tax freeze. This shows the ability of the Council to make tough decisions in order to maintain its provision of services.

7. Financial sustainability (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial planning	Officers present four financial updates a year to Council meetings. These provide an update on the financial challenges facing the Council and estimated revenue budget gaps under best case, worst case and mid-range scenarios. Scenarios are based on financial planning assumptions that are updated by officers on an ongoing basis. The Council faces a very challenging financial position. Its mid-range case scenario, after some assumptions on future years options, and after the 2024/25 budget was approved, projects the following in-year budget gaps: • £4.908 million in 2025/26 • £5.479 million in 2026/27 • £5.782 million in 2027/28 • £3.122 million in 2028/29 The Council has established a cross-party budget working group to ensure that there is early engagement on budget proposals. The Council has approved a Council Tax increase of 10% for Argyll and Bute area for 2024/25 to enable sustainability of provision of services.	The Council has effective financial planning, with an established process to ensure there is early engagement of budget proposals. Councillors and officers need to continue working together to make the difficult decisions to respond to the Council's challenging financial position.	No significant issues identified.

7. Commentary on Wider Scope

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.

7. Vision, leadership and governance

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Clarity of plans to implement the vision	The Council adopted its Strategic Plan 2023 – 2027, known as the Corporate Plan. This sets a clear vision and key commitments for the Council over the period. The Council's priorities for 2023 to 2027 are categorised under the themes of: • Education; • Roads, Amenities and Infrastructure; • Potential and Growth - turning opportunities into reality; and • Partnership and Action - everyone has a part to play in Argyll and Bute's success.	The Corporate Plan sets a clear vision for the Council for the four-year period. This focuses on working with residents, communities, and businesses to deliver the best possible services and targeting resources to those most in need.	No significant issues identified.
Strategy and priorities	The Council has described what success will look like for each of its objectives. The Corporate Plan also includes measures of success for each priority and sets out key commitments. The Corporate Plan measures are based on improving key performance indicators over the four years of the plan. Services are responsible for setting targets for these measures in delivery plans and regularly monitoring and reporting progress.	The Corporate Plan sets out objectives, measures of success and key commitments under each priority.	No significant issues identified.

7. Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Governance arrangements	The Council's governance arrangements are centred on Council meetings, service committees and the Audit and Scrutiny Committee. Council and Audit and Scrutiny Committee meetings are well attended by councillors and papers are subject to a good level of scrutiny. Council and committee meeting papers and minutes are available on the Council's website and meetings are open to the public. Deputations can be heard at meetings of the Council and its principal committees. In addition, the Council Area Committees have a standing agenda item for Public Questions to be put and answered.	The Council has appropriate governance arrangements in place. We found evidence of effective scrutiny and challenge, and transparent decision making at Council and Audit Committee meetings.	No significant issues identified.

7. Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Financial and performance information	Officers present regular financial updates and budgetary control reports to Council meetings. The budgetary control reports provide an update on the general services revenue budget and the Council's capital programme. These reports include additional information on budget variances and updates on the progress of agreed savings. The Council reports progress against delivery plans to councillors through its service committees. These reports show the performance of each service against its performance indicator targets and progress in delivering agreed actions.	The Council provides councillors with sufficient information to allow effective scrutiny of its finances and performance. The Council's annual performance report is clearly presented and accessible.	No significant issues identified.

7. Commentary on Wider Scope

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

7. Use of resources to improve outcomes

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Resources deployed to improve strategic outcomes	The Council has a workforce planning process in place. It covers the strategic and team specific levels . This includes a risk matrix to identify areas of priority. Workforce issues appear on risk registers where appropriate and action plans are also in place. The strategic workforce plan is being integrated into the new people strategy to create a single delivery plan. The Council's 2023/24 budget, agreed in February 2023, reflected its strategic priorities. There is evidence of budget decisions that support the council's priorities.	The Council's resource plans are aligned with its strategic plan. It can demonstrate 2023/24 budget decisions which reflected its strategic priorities.	No significant issues identified.

7. Use of resources to improve outcomes (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Needs of service users being met	The Council's delivery plans set out how it will achieve its strategic priorities. There is a Council-wide annual business plan as opposed to individual service delivery plans. The Annual Business Plan sets out the strategic priorities for all services and demonstrates how they align with the Council's priorities and the Local Outcomes Improvement Plan.	The Council, through its Annual Business Plan, has identified how services will contribute to achievement of its strategic priorities and objectives. The Council consults regularly with service users to understand how it can meet their needs.	No significant issues identified.

7. Use of resources to improve outcomes (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Arrangements to deliver continuous improvements in priority services	The Council's corporate plan sets clear objectives and highlights the services it plans to prioritise. This plan measures are based on improving key performance indicators over the four years of the plan. Services are responsible for setting targets for these measures in delivery plans and regularly monitoring and reporting progress.	The Council has clear priorities and suitable arrangements in place to measure improvement. The Council is looking at opportunities to make efficiencies through service innovation.	No significant issues identified.

08

Section 08:

Best Value

8. Best Value

Best Value summary

Under the Code of Audit Practice, the audit of Best Value is fully integrated within our annual audit work. We are required to assess the seven Best Value themes at the Council over the period of the audit appointment. We have used a risk-based approach that is proportionate to the size and type of the body, to assess whether the Council has made proper arrangements for securing Best Value and is complying with its community planning duties. We have also followed up on previously reported Best Value findings which has assessed the pace and depth of improvement.

We will also conduct thematic reviews as directed by the Accounts Commission. In 2022/23 this will be on the effectiveness of council leadership in developing new strategic priorities following the elections in May 2022. We have prepared a separate management report to document the findings of this work which can be found on Audit Scotland's website.

At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. The Council is included in the first year of the programme which runs from October 2023 to August 2024.

At the planning stage of the audit, we undertook work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant risks in those arrangements. We have kept our understanding of arrangements under review and updated our risk assessment throughout the audit to reflect emerging issues that may suggest significant risks in arrangements exist. The following slides outline the work that we have undertaken for each of the seven Best Value themes and any improvements or risks in arrangements that have been identified as part of our assessment. We have reported recommendations for the risks identified.

8. Best Value (continued)

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

	Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
	Best Value	53	No	No	No
	Thematic reviews	58	No	No	No
	Climate change	61	No	No	No
	Statutory Performance Indicators	62	No	No	No
	Service Performance	64	No	No	No

8. Best Value (continued)

Our overall assessment of the Best Value themes

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Vision and leadership	Our 2022/23 Best Value thematic review considered: • How clear is the new Council vision and its priorities? • Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?	The Council has a clear vision with three outward facing priorities and one inward looking. The Council needs to maintain effective leadership to continue to achieve its priorities and to make the difficult decisions to respond to its challenging financial position.	None identified.	No significant issues identified.
Governance and accountability	Our 2022/23 wider scope work considered: • Whether the Council can demonstrate that its governance arrangements are appropriate and operating effectively? • Is there evidence of effective scrutiny, challenge and transparency on decision making at governance committees? See page 44.	The Council has appropriate governance arrangements in place. We found evidence of effective scrutiny and challenge, and transparent decision making at Council and Audit Committee meetings.	None identified.	No significant issues identified.

8. Best Value (continued)

Our overall assessment of the Best Value themes (continued)

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Effective use of resources	Our 2022/23 Best Value thematic review considered: • How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities?	The Council's annual business plans, and workforce and digital strategies are aligned with its corporate plan. It can demonstrate 2023/24 budget decisions which reflected its strategic priorities.	None identified.	No significant issues identified.
Partnerships and collaborative working	We did not assess this theme in 2022/23.	N/A	N/A	N/A
Working with communities	Our 2022/23 Best Value thematic review considered: • How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?	The Council knows it needs to work effectively with citizens and communities to achieve its strategic objectives. Community budgeting and participatory budgeting are two ways it is involving local people in decision making.	None identified.	No significant issues identified.

8. Best Value (continued)

Our overall assessment of the Best Value themes (continued)

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Sustainability	We did not assess this theme in 2022/23.	N/A	N/A	N/A
Fairness and equality	Our 2022/23 Best Value thematic review considered: • How effectively do the Council priorities reflect the need to reduce inequalities?	Actions to reduce inequalities underpin the Council's priorities and objectives. The Council is focussing on providing support to communities affecting by the cost-of-living crisis.	None identified.	No significant issues identified.

8. Best Value (continued)

Follow up of previously-reported recommendations

We are required to follow up Accounts Commission findings, Controller of Audit recommendations and any outstanding improvement actions reported in Best Value Assurance Reports and Annual Audit Reports.

In 2020 Audit Scotland reported recommendations to the Council to address risks identified from its Best Value audit. As part of our work in 2022/23, we followed up the progress made by the Council against the recommendations made and determined whether the risk remained during the year.

	Best Value finding as reported by previous auditor	Management response and implementation timeframe	Work undertaken and judgements made in 2022/23	Conclusions reached
1	**Is the Council demonstrating continuous improvement?** The Council should increase the pace of change through transformation to deliver the business outcomes and this should be monitored and reported on a regular basis.	The Council will develop and agree a refreshed approach to transformational activity, identify thematic areas of activity and explore opportunities to shift investment towards prevention and more effective and efficient interventions.	**Progress against the recommendation** Progress against the recommendation In September 2020, the Council embarked on the Performance Excellence Project. Some key changes arising from this project included the removal of Business Outcomes, the decommissioning of Pyramid (web-based performance management system), and the cessation of annual Service Plans. The project also led to the identification of a suite of 47 Corporate Outcome Indicators aligned to the Corporate Outcomes. The Corporate Outcome Indicators are reported annually. Quarterly performance reports continue to be presented to all 4 Area Committees; these largely contain indicators that are of interest at a local level.	**Conclusions** Complete

8. Best Value (continued)

Follow up of previously-reported recommendations (continued)

	Best Value finding as reported by previous auditor	Management response and implementation timeframe	Work undertaken and judgements made in 2022/23	Conclusions reached
2	The Council should assess the extent to which regeneration and economic development initiatives are delivering the vision and corporate outcomes. The Council should put in place robust options appraisal processes and a benefits monitoring framework, proportional to the size of initiatives, to evaluate the benefits and costs of future projects.	The Council will review options appraisal processes and benefits monitoring framework to ensure systems are robust and evaluate the benefits and costs of projects, create inter-departmental project review team and scope review of project process to align to BV3 Objective. Implementation timescale: April 2022	**Progress against the recommendation** Progress against the recommendation The Council is undertaking a wide number of initiatives relating to economic development activity. These include the ongoing work relating to the Rural Growth Deal and various other outline business cases they are undertaking in relation to the agreed themes with Government. These considerations include option appraisals, and following approval by the Council and both Governments, full business cases will be submitted for final approval. As part of the RGD process the Council is also required to develop a detailed realisation plan which will set out the anticipated benefits and how these will be monitored over the lifetime of the RGD programme.	**Conclusions** Complete
3	**Community Engagement** The Council should work with communities and community groups to understand and address their concerns and establish priorities in how it can better support them. This should include engaging with communities to understand and improve levels of satisfaction with council services.	The Council will engage with communities to understand and improve levels of satisfaction with council services in order to understand and address their concerns. Implementation timescale: December 2021	**Progress against the recommendation** The Council has established a Community Engagement group to develop its engagement framework. This group has council wide representation. It will determine the overall strategic approach, tools to share engagement activities and any findings internally and will support the learning/ training of staff to build knowledge and confidence around engagement activity. This group will also lead on establishing a dedicated space for the public to view engagement findings. The Council carries out regular satisfaction surveys through the customer service centre.	**Conclusions** Complete

8. Best Value (continued)

Thematic reviews

The Accounts Commission reports nationally on thematic aspects of local government bodies' approaches to, and performance in, meeting their Best Value and community planning duties. As appointed auditors of the Council we are required to report on Best Value or related themes thematic work prescribed by the Accounts Commission. For the thematic work in 2022/23, we are required to carry out an overview of the effectiveness of the Council's leadership (officers and elected members) in developing new local strategic priorities following the elections in May 2022. As part of this review, we are required to report on the areas documented in the table below. The full thematic review report for the Council can be found on Audit Scotland's website.

Thematic themes	Our findings	Our judgements	Risks identified
Council vision and priorities	The Council agreed a new approach to Strategic Planning and Performance in November 2022. This included setting strategic priorities to support the Council, its citizens and businesses to recover and renew after the Covid-19 pandemic. The Council agreed a continued commitment to the vision of a successful, vibrant Argyll and Bute with a growing population and thriving economy. The Council promoted its priorities through its website and engagement with staff and trade unions and the Community Planning Partnership (CPP). The Council is working to ensure all decisions it makes are aligned with its priorities.	The Corporate Plan sets a clear vision for the Council for the four-year period. This focuses on working with residents, communities, and businesses to deliver the best possible services and targeting resources to those most in need.	No significant issues identified.
Citizen and community engagement	The Council has established a Community Engagement group to develop an engagement framework, which has council wide representation. This framework will provide the overall strategic approach. The group will then develop tools to be used in for engagement activities and will be used as the mechanism to allow representatives to share experience and findings from engagement activities undertaken. It is intended to facilitate learning and support for employees to help build their knowledge and confidence in engagement. . The Council carries out regular satisfaction surveys through its customer service centre. It is extending its ability to provide information on services and feedback using "bots" and has performed highly in Customer Service Excellence accreditation.	The Council knows it needs to work effectively with citizens and communities to achieve its strategic objectives.	No significant issues identified.

8. Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
Reducing inequalities and tackling climate change	The Council's priorities and the locality plans focus on reducing inequalities and ensuring the Council distributes its resources fairly and equitably. The Council has a Child Poverty Action Plan, as well as a COVID Recovery Action Plan, which aim to tackle inequalities and address fairness. The Council has also made tackling climate change a priority and is developing a climate action plan setting out how it will support the Scottish Government's climate change targets.	Actions to reduce inequalities and combat climate change underpin the Council's priorities and objectives.	No significant issues identified.
Alignment of delivery plans	There is a Council-wide Annual Business Planning process in place. The Annual Business Plan replaces the Council's previous approach of having individual service plans. The Annual Business Plan sets out the strategic priorities for all services and demonstrates how they align with the Council's priorities and the Local Outcomes Improvement Plan.	The Council's annual business plans, and workforce and digital strategies are aligned with the corporate plan. It can demonstrate 2023/24 budget decisions which reflected its strategic priorities.	No significant issues identified.

8. Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
Leadership	Officers and the administration's elected members worked effectively to agree the Council's refreshed priorities soon after the May 2022 council elections. The administration also worked with other councillors to gain consensus on the priorities. Officers engage with the administration in advance of council and service committee meetings and on major policy initiatives. There is also engagement and joint working between officers and elected members as guided by the Ethical Framework and the Constitution. Specific activities to support collaboration include: • Members seminars; • the Budget Working Group which is cross party; • Policy Leads having dedicated time with Chief Officers relative to their portfolio, • the CEO holding weekly meetings with the Leader and Deputy Leader and, frequent one to one meetings with the Leader of the main opposition group; and • the CEO having a monthly joint session with all Group Leaders. To demonstrate its commitment to good governance, there are codes of conduct for both members and employees in place which include a zero-tolerance policy on fraud. The Council has an internal audit department, which includes a counter fraud team, to investigate any such matters reporting to the Audit and Scrutiny Committee on investigations results.	Administration elected members and officers worked together to agree clear strategic priorities, objectives, and measures of success. The council needs to maintain effective leadership to continue to achieve its priorities and make the difficult decisions to respond to its challenging financial position.	No significant issues identified.

8. Best Value (continued)

Climate change

In October 2021, the Scottish Government issued ‘Public Sector Leadership on the Global Climate Emergency’ guidance. This recommended that public bodies should consider climate risk and adaption; reporting to external frameworks; and climate change performed linked to their objectives to ensure clear accountability on performance.

In September 2022, Audit Scotland issued ‘Scotland's councils' approach to addressing climate change’ guidance which highlighted the critical role that Councils have in meeting Net Zero targets by 2045. Councils should consider their plans to make sure they are adequate, there is transparency in what is included in targets, ensure actions are clear, and that detail is included about how the Council will deal with residual emissions. They should also be more transparent about any gaps between the level of impact their planned actions will have and the scale of the challenge. The guidance also highlights the importance of collaboration across councils, key partners and local communities.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Our commentary of the Council’s climate change arrangements

The Council has set clear goals on becoming a net zero organisation by 2045. In 2023 it also achieved Bronze Carbon Literate accreditation. All committee reports also have to consider Climate Change implications as part of impacts. The Corporate Plan 2023-2027 specifically records several actions / priorities relating to climate change, for example reducing waste and increasing energy efficiency.

Argyll and Bute Council has a Decarbonisation Plan 2022-2025, supported by a Climate Change Action Plan with tangible actions. The Climate Change Action Plan is regularly updated.

The Council monitors and reports progress internally via its Climate Change Board.

The Council monitors and reports its progress via the Policy and Resources Committee. These committee papers are available to the public. There is further public reporting of progress via the statutory annual Public Bodies Climate Change Reporting, with reports submitted to Sustainable Scotland Network (as required by ‘Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015’ and Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020). Mandatory reporting began in 2015/16.

The Council also shares the Decarbonisation Plan, and Climate Change Action Plan Updates on its website.

8. Best Value (continued)

Statutory Performance Indicators

We are required to report on the Council's effectiveness and appropriateness of arrangements in place for complying with the Direction issued in December 2021, including the balance and timeliness of reporting to members along with its accessibility for citizens and communities.

The table below details our overall assessment of the Council's statutory performance indicators arrangements:

Council's arrangements	Our findings	Our judgements	Risks identified
Statutory Performance Indicator 1: Improving local services and local outcomes	Statutory Performance Indicator (SPI) 1 requires a council to report its performance in improving local public services and progress against agreed desired outcomes The Council's website includes a section with information to help the public measure its performance. The website contains details on the nature of reports prepared and the frequency of preparation. It also contains links to strategic and area committee reports, as well as annual performance reports and the customer service charter and annual audit reports. The Council reports progress against its annual business plan to councillors. Progress is reported semi-annually to the Audit and Scrutiny Committee, and quarterly to Area Committees. On an annual basis, an annual performance review is undertaken by each service and an annual performance report is prepared and presented to the Council.	The Council has appropriate arrangements in place for complying with SPI 1.	No significant issues identified.

8. Best Value (continued)

Statutory Performance Indicators (continued)

Council's arrangements	Our findings	Our judgements	Risks identified
Statutory Performance Indicator 2: Demonstrating Best Value	SPI 2 requires a council to report its own assessment and audit, scrutiny and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments. The Council's website includes a section on external audit and inspection reports with links to where reports can be found. The Council's website also includes its action plans in response to assessments made by audit, scrutiny and inspection bodies within the performance and improvement section of the website, for example its action plan on the previous Best Value Report 2020. It is fairly easy to find.	The Council is compliant with SPI 2.	No significant issues identified.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

E: Wider scope and Best Value ratings

Appendix A: Draft management representation letter

Cameron Waddell
Mazars LLP
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

20 March 2024

Dear Cameron

Argyll and Bute Council - Audit for the Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Argyll and Bute Council (the Council) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

My responsibility to provide and disclose relevant information

I have provided you with:
- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Section 95 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions undertaken by the Council have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Appendix A: Draft management representation letter

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at fair value are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:
- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

Laws and regulations

I confirm that I have disclosed to you all those events of which I are aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Section 95 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:
- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

I have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which I are aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix A: Draft management representation letter

Ultimate parent company

I confirm that the ultimate parent company for Argyll and Bute Council and its Group is the Scottish Government.

Other Matters

I confirm in relation to the following matters that:

- COVID-19 – I have assessed the continued impact of the COVID-19 Virus pandemic on the Council and the financial statements and those of the Group, including the impact of mitigation measures and uncertainties, and am satisfied that the financial statements and supporting notes fairly reflect that assessment.
- Ukraine – I confirm that I have carried out an assessment of the potential impact of the continued conflict in Ukraine on the Council and its Group and there is no significant impact on the Council's operations from restrictions or sanctions in place.
- I confirm that I have assessed the impact on the Council of the on-going Global Banking challenges, in particular whether there is any impact on the Council and its Group's ability to continue as a going concern, and on the post balance sheet events disclosures.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and its Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Performance related allocations

I confirm that I am not aware of any reason why the Council's funding allocation limits would be changed.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Part VII of the Local Government (Scotland) Act 1973 and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code), require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Annual Governance Statement

I am satisfied that the Annual Governance Statement fairly reflects the Council and its Group's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the Annual Governance Statement.

Annual Report

The disclosures within the Annual Report and the Remuneration Report fairly reflect my understanding of the Council and its Group's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully
Kirsty Flanagan
Section 95 Officer

Appendix B: Draft audit report

Independent auditor's report to the members of Argyll and Bute Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on the financial statements

We certify that we have audited the financial statements in the annual accounts of Argyll and Bute Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Statement of Comprehensive Income and Expenditure, the Balance Sheet, the Statement of Movement in Reserves, the Cash Flow Statement and notes to the financial statements, including significant accounting policies, the Group Statement of Comprehensive Income and Expenditure, the Group Balance Sheet, the Group Statement of Movement in Reserves, the Group Cash Flow Statement and notes to the group financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of Argyll and Bute Council (the Council) and its group as at 31 March 2023 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- 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.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the Council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Council and its group. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council and its group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the Council and its group's current or future financial sustainability. However, we report on the Council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Section 95 Officer and the Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Section 95 Officer is responsible for the preparation of financial statements, that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Section 95 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Appendix B: Draft audit report

In preparing the financial statements, the Section 95 Officer is responsible for assessing each year the Council and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the Council and its group's operations.

The Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Council and its group;
- inquiring of the Section 95 Officer as to other laws or regulations that may be expected to have a fundamental effect on the Council and its group;
- inquiring of the Section 95 Officer concerning the Council's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council and its group's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report
We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information
The Section 95 Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Appendix B: Draft audit report

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Cameron Waddell
For and on behalf of Mazars LLP
Mazars LLP
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix C: Independence (continued)

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 20 June 2023. We were appointed as auditors for the Council in the 2022/23 financial therefore no comparatives have been provided in the below table. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23 fees
Auditor remuneration	£237,440
Pooled costs	£0
Contribution to PABV costs	£57,770
Audit support costs	£9,000
Sectoral cap adjustment	(£2,030)
Sub-Total	306,240
Additional fees in respect of additional testing to reflect the transition to a new ledger in 2022/23	4,225
Total fees	**£310,465**

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council.

Fees for audit of Charitable Trusts

The audit fee in table above does not include the cost of auditing the Council's charitable trusts. The Fee for these was £6,500.

Services provided to other entities within the Council's group

We provided the external audit of the following entities within the Council's group:

- Argyll and Bute Integration Joint Board (total fee of £31,470)
- Dunbartonshire and Argyll & Bute Valuation Joint Board (total fee of £8,790).
- Live Argyll (estimated total fee for 2022/23 of £16,000).

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going concern	We have not identified any evidence to cause us to disagree with the Section 95 Officer that Argyll and Bute Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications (continued)

	Other communication	Response
	Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
	Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition, we have assessed the adequacy of the Council's arrangements for preventing and detecting fraud or other irregularities as part of the wider scope audit and concluded that they are sufficiently designed and implemented. We will obtain written representations from management, and the Audit Committee, confirming that: a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
	National Fraud Initiative	The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland and overseen by the UK's Cabinet Office, designed to prevent and detect fraud. The NFI uses data analytics to compare information held on individual by different public bodies to highlight the existence of fraud or error. The Council has received matches for investigation in 2023 and followed up on the 2 high risk cases. We have monitored the Council's participation and progress during the 2022/23 audit. During the 22/23 NFI exercise, the Council closed 77% of all high-risk matches processed.

Appendix E: Wider scope and Best Value ratings

We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any risks. We will carry out more detailed work where we identify significant risks. Where significant risks are identified we will report these to the Council and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

We have assigned priority rankings to each of the risks identified to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. The table below describes the meaning behind each rating that we have awarded to each wider scope area based on the work we have performed.

Rating	Description
Level 1	The identified risk and/or significant deficiency is critical to the business processes or the achievement of business strategic objectives. There is potential for financial loss, damage to reputation or loss of information. The recommendation should be taken into consideration by management immediately.
Level 2	The identified risk and/or significant deficiency may impact on individual objectives or business processes. The audited body should implement the recommendation to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
Level 3	The identified risk and/or significant deficiency is an area for improvement or less significant. In our view, the audited body should action the recommendation, but management do not need to prioritise.

Cameron Waddell (Audit Partner)

Mazars

26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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