

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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27 January 2026

SUPPLEMENTARY PACK 1

SPECIAL ARGYLL AND BUTE COUNCIL - ON A HYBRID BASIS IN THE COUNCIL CHAMBER, KILMORY, LOCHGILPHEAD AND BY MICROSOFT TEAMS on THURSDAY, 29 JANUARY 2026 at 10:00 AM

I enclose herewith **items 3 (a) & (b) and 4 (a) & (b)** which was marked to follow on the Agenda for the above meeting.

Douglas Hendry
Executive Director

ITEMS TO FOLLOW

- 3. AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025 - ARGYLL AND BUTE COUNCIL**
 - (a) Report by Section 95 Officer (Pages 3 - 8)
 - (b) Recommendation from the Special meeting of the Audit and Scrutiny Committee held on 27 January 2026 (Pages 9 - 10)
- 4. AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025 - TRUST FUNDS**
 - (a) Report by Section 95 Officer (Pages 11 - 14)
 - (b) Recommendation from the Special meeting of the Audit and Scrutiny Committee held on 27 January 2026 (Pages 15 - 16)

Argyll and Bute Council

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ARGYLL AND BUTE COUNCIL**COUNCIL****FINANCIAL SERVICES****29 JANUARY 2026**

**AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025
– ARGYLL AND BUTE COUNCIL**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to update Members with an update on the external audit of the Annual Accounts of the council for the year ended 31 March 2025, following scrutiny of the draft Annual Accounts and Annual Audit Report by the Audit and Scrutiny Committee on 27 January 2026.

1.2 Council is requested to:

- Note that the audit is substantially complete and that Forvis Mazars have advised that they are expecting to issue an unqualified opinion on the council's Annual Accounts for the year ended 31 March 2025;
- Consider Forvis Mazars Annual Audit Report (included as agenda item 3 (c))
- Approve for signature the Letter of Representation (included as agenda item 3 (d)); and
- Authorise for issue, the council's draft Audited Annual Accounts for the year ended 31 March 2025 (included as agenda item 3 (e)), subject to any final presentation adjustments agreed by the Section 95 Officer, and on the basis that no material changes are anticipated to arise from the follow-up letter from Forvis Mazars, otherwise the Audited Annual Accounts would be referred back to Members for approval.

ARGYLL AND BUTE COUNCIL

COUNCIL

FINANCIAL SERVICES

29 JANUARY 2026

**AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025
– ARGYLL AND BUTE COUNCIL**

2. INTRODUCTION

- 2.1 This report provides Members with an update on the external audit of the Annual Accounts of the council for the year ended 31 March 2025, following scrutiny of the draft Annual Accounts and Annual Audit Report by the Audit and Scrutiny Committee on 27 January 2026.
- 2.2 The audit of the Annual Accounts for the year ended 31 March 2025 is substantially complete. However, the external Annual Audit Report identifies some residual matters that remain outstanding at the time of report preparation. Forvis Mazars has committed to providing an update in relation to the outstanding matters through issuance of a follow up letter. In addition, Forvis Mazars have noted that they expect to issue an **unqualified opinion** and the draft opinion has been inserted into the Annual Accounts document.

3. RECOMMENDATION

- 3.1 It is recommended that Council:
- Note that the audit is substantially complete and that Forvis Mazars have advised that they are expecting to issue an unqualified opinion on the council's Annual Accounts for the year ended 31 March 2025;
 - Consider Forvis Mazars Annual Audit Report (included as agenda item 3 (c))
 - Approve for signature the Letter of Representation (included as agenda item 3 (d)); and
 - Authorise for issue, the council's draft Audited Annual Accounts for the year ended 31 March 2025 (included as agenda item 3 (e)), subject to any final presentation adjustments agreed by the Section 95 Officer, and on the basis that no material changes are anticipated to arise from the follow-up letter from Forvis Mazars, otherwise the Audited Annual Accounts would be referred back to Members for approval.

4. DETAIL

- 4.1 Forvis Mazars are the council's appointed external auditors, with financial year 2024-25 being year 3 of a 5 year contract period.

- 4.2 There has been no material improvement in the overall timescale for completion of the audit compared to the prior year. However, the 2024-25 audit has included two significant additional areas of work, namely the first-time implementation of IFRS 16 Leases and extended audit procedures arising from the implementation of the new payroll system (iTrent). Both IFRS 16 and payroll migration placed demands on both council officers and external audit. It is expected that without these two items audit completion would have improved on the prior year. Continuous improvement is still required in future years to achieve the target audit completion date of 30 September. A protracted audit process can have a detrimental impact on supporting other council priorities, including the budget process, over this period.
- 4.3 The audit of the annual accounts for the year ended 31 March 2025 is substantially complete. However, the external Annual Audit Report identifies some residual matters that remain outstanding at the time of report preparation. Forvis Mazars has committed to providing an update in relation to the outstanding matters through issuance of a follow up letter. In addition, Forvis Mazars have noted that they expect to issue an **unqualified opinion** and the draft opinion has been inserted into the Annual Accounts document.
- 4.4 The key messages contained within the Annual Audit Report are as follows:
- Financial Management
 - The Council continues to demonstrate an effective financial management culture, with no significant deficiencies in internal control identified during the audit.
 - Appropriate budget monitoring and reporting arrangements are in place, and the auditor confirmed no significant risks in relation to financial management.
 - The Council has appropriate arrangements to prevent and detect fraud and no matters of concern were reported.
 - Financial Sustainability
 - The Council has effective medium- and longer-term financial planning, supported by regular reporting of the Budget Outlook and an established process for identifying and considering savings options.
 - The auditor recognised that while the financial outlook is challenging, the Council has appropriate arrangements in place to support financial sustainability.
 - Vision, leadership and Governance
 - The revised Corporate Plan (2025–27) provides the Council with a clear strategic direction and set of priorities.
 - Governance arrangements remain appropriate, with evidence of effective scrutiny through established committee structures
 - Management commentary, governance statements and performance reporting are consistent with the financial statements and prepared in accordance with statutory requirements.
 - Use of Resources

- Resource planning continues to align with strategic priorities, and the Council demonstrates that services are contributing towards the delivery of these priorities.
 - Performance reporting is well established, with quarterly reporting across corporate priorities and action plans in place to address areas of underperformance.
 - The auditor concluded that the Council is effectively using its resources to improve outcomes.
- Best Value
 - The Council continues to demonstrate a clear vision, supported by appropriate governance and performance management arrangements.
 - The auditor concluded that the Council has satisfactory arrangements in place across all Best Value themes reviewed, with no significant risks identified.
 - Recommendations raised through thematic review work relate mainly to performance management and transformation programme management and management has committed to implementation.

4.5 Assuming that there are no further changes to the accounts, the main adjustments, in addition to some presentational changes, are noted below, while a summary of substantive audit changes to the financial statements is given in Appendix 1.

- Two adjustments relating to the reversal of interdepartmental recharges, required to avoid overstating gross income and expenditure from internal trading, amounting to £6.334m and £0.419m. These adjustments had no impact on the unaudited or audited General Fund position, cash position or reserves.
- The remainder of adjustments relate to the transition and implementation of IFRS 16 Leases from 1 April 2024, reflecting the transition required for the first year of application. As previously reported, it had not been possible to prepare the unaudited accounts on an IFRS 16 compliant basis due to the delayed receipt of required technical information from our contracted external expert. The required adjustments were therefore processed as part of the audit.

4.6 There has been no change to the General Fund balance, as a result of the adjustments noted in paragraph 3.5 above.

4.7 Key highlights of the council's financial position, based on the draft Audited Annual Accounts are as follows:

- An accounting Deficit on Provision of Services for 2024-25 of £13.520m;
- A Revenue Budget underspend for 2024-25 of £1.905m;
- Total Assets less Liabilities as at 31 March 2025 of £526.796m; and
- A General Fund Balance as at 31 March 2025 of £112.705m.

4.8 The committed funds within the General Fund are £105.162m per the draft Audited Annual Accounts, leaving an uncommitted General Fund balance of £7.543m as at 31 March 2025. This equates to 2.3% of the Council's approved budgeted net expenditure

for 2024-25, exceeding the contingency set at 2% of approved budget, as agreed as part of the 2024-25 budget process.

5. CONCLUSION

- 5.1 This report advises Members on the expected conclusion of the audit of the annual accounts for the year ended 31 March 2025. The external auditors, Mazars expect to issue an unqualified opinion and minimal adjustments were made to the unaudited annual accounts during the audit process, in addition to those expected in respect of compliance with IFRS 16 Leases. Forvis Mazars have issued their Annual Audit Report for 2024-25, which is predominantly positive.

6. IMPLICATIONS

- 6.1 Policy – None
- 6.2 Financial – None
- 6.3 Legal – None
- 6.4 HR – Further pressure placed upon key finance staff in respect of competing priorities and resourcing challenges, due to the protracted audit process beyond target completion date of 30 September 2025.
- 6.5 Customer Service – None
- 6.6 Risk – None
- 6.7 Climate Change – None
- 6.8 Fairer Scotland Duty – None
- 6.9 Equalities – protected characteristics – None
- 6.10 Consumer Duty – None
- 6.11 Island Communities – None
- 6.12 Children's Rights and Wellbeing – None

Kirsty Flanagan
Executive Director/ Section 95 Officer
29 January 2026

Policy Lead for Finance and Commercial Services: Councillor Ross Moreland

For further information contact:
Carolyn Earl, Head of Financial Services (Consultant)
carolyn.earl@argyll-bute.gov.uk

APPENDICES

Appendix 1 - Summary of Substantive Audit Changes to Financial Statements for the year ended 31 March 2025

Summary of Substantive Audit Changes to Financial Statements for the year ended 31 March 2025

Financial Statement / Segment	Audited Accounts £000s	Unaudited Accounts £000s	Change £000s	Comments/Explanation
Comprehensive Income and Expenditure Statement				Adjustments primarily reflect the transition to IFRS 16 Leases, including the recognition of Right-of-Use assets and corresponding lease liabilities and the reclassification of leases costs between service expenditure and interest, with no impact on council tax or cash flows.
Net Cost of Services	335,788	338,338	(2,550)	
Interest Payable and Similar Charges	24,361	20,876	3,485	
Gain on Initial Recognition of Lease - Capital Contribution	(149)	0	(149)	
Movement in Reserves Statement				
Pension Reserve				
(Surplus)/Deficit on Provision of Services	13,520	12,734	786	
Balance Sheet				
Long Term Assets				
Other Land and Buildings	455,904	452,225	3,679	
Right-of-Use Assets	6,015	0	6,015	
Current Liabilities				
Other Short-term Liabilities	(7,543)	(5,535)	(2,008)	
Long Term Liabilities				
Other Long-term Liabilities	(104,626)	(96,159)	(8,467)	
Long-term Provisions	(2,628)	(2,621)	(7)	
Reserves				
Capital Adjustment Account	255,556	256,344	(788)	

Note: The above adjustments reflect those within the Council's (single entity) Financial Statements. Similar adjustments have also been made within the Group Financial Statements.

ARGYLL & BUTE COUNCIL**COUNCIL****LEGAL AND REGULATORY SUPPORT****29 JANUARY 2026**

**EXTRACT OF MINUTE OF SPECIAL MEETING OF THE AUDIT AND SCRUTINY
COMMITTEE HELD ON 27 JANUARY 2026**

* **3. AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025
- ARGYLL AND BUTE COUNCIL**

(a) Annual Audit Report for the year ended 31 March 2025

The Committee gave consideration to a report and a short verbal update outlining the unqualified opinion of the External Auditors, Forvis Mazars, on the audit of the financial statements.

Decision

The Audit and Scrutiny Committee agreed to note the findings of the report.

(Reference: Report by Forvis Mazars, dated January 2026, submitted)

(b) 2024-25 Argyll and Bute Council - ISA 580 Letter of Representation

Consideration was given to the ISA 580 letter of representation on the audit of the annual accounts of Argyll and Bute Council for the year ended 31 March 2025.

Decision

The Audit and Scrutiny Committee:-

1. noted the contents of the ISA 580 letter of representation; and
2. agreed to recommend to Council that the ISA 580 letter of representation be approved for signing.

(Reference: ISA 580 Letter of Representation by Section 95 Officer, dated January 2026, submitted)

(c) Audited Annual Accounts for the year ended 31 March 2025

The Committee gave consideration to a report presenting the Audited Annual Accounts of the Council for the year ended 31 March 2025.

Decision

The Audit and Scrutiny Committee:-

1. noted that the audit is substantially complete and that Forvis Mazars have advised the Council that they are expecting to issue an unqualified opinion on the Council's Accounts for the year ended 31 March 2025;
2. agreed to accept and endorse the Annual Accounts, as attached as Appendix 2 to the report, and refer to the Council for approval;
3. noted that if the Council receive a follow-up letter from Forvis Mazars confirming that there are no material changes to the Accounts, there would be no impediment to the Council signing off the Annual Accounts; and
4. noted that if the Council receive a follow-up letter from Forvis Mazars confirming there was a material change, it would be a matter for the Council to take forward the approval of the Accounts having regard to that. It was further noted that in this event, a further report would be submitted to the Audit and Scrutiny Committee for their information.

(Reference: Report by Section 95 Officer, dated 27 January 2026, submitted)

ARGYLL AND BUTE COUNCIL**COUNCIL****FINANCIAL SERVICES****29 JANUARY 2026**

**AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025 –
TRUST FUNDS**

1. EXECUTIVE SUMMARY

1.1 The purpose of this report is to update members on the external audit of the council's Trust Funds Annual Accounts for the year ended 31 March 2025, following scrutiny of the Annual Accounts and Annual Audit Report by the Audit and Scrutiny Committee on 27 January 2026.

1.2 Council is requested to:

- Note that external audit expect to issue an unqualified audit certificate for the council's Trust Funds Annual Accounts for the year ended 31 March 2025;
- Authorise for issue, the Trust Funds Audited Annual Accounts for the year ended 31 March 2025, included within item 4 (c);
- Consider Forvis Mazars' Annual Audit Report, included within item 4 (c); and
- Approve for signature, the ISA 580 Letter of Representation, included within item 4 (c).

ARGYLL AND BUTE COUNCIL

COUNCIL

FINANCIAL SERVICES

29 JANUARY 2026

**AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025 –
TRUST FUNDS**

2. INTRODUCTION

- 2.1 Forvis Mazars, the appointed external auditor has now completed the audit of the council's Trust Funds Annual Accounts for the year ended 31 March 2025. The purpose of this report is to update members on conclusion of the audit and approve the accounts for issue, following scrutiny of the Annual Accounts and Annual Audit Report by the Audit and Scrutiny Committee on 27 January 2026.

3. RECOMMENDATIONS

- 3.1 Council is requested to:

- Note that external audit expect to issue an unqualified audit certificate for the council's Trust Funds Annual Accounts for the year ended 31 March 2025;
- Authorise for issue, the Trust Funds Audited Annual Accounts for the year ended 31 March 2025, included within item 4 (c);
- Consider Forvis Mazars' Annual Audit Report, included within item 4 (c); and
- Approve for signature, the ISA 580 Letter of Representation, included within item 4 (c).

4. DETAIL

- 4.1 The council's draft Trust Funds Annual Accounts for the year ended 31 March 2025 were completed and submitted for audit by 30 June 2025. Forvis Mazars, the appointed external auditor has now completed the audit and has issued an audit completion report and anticipate issuing an unqualified opinion.
- 4.2 Forvis Mazars has issued their Annual Audit Report. The outcome of the audit is generally positive and includes the following key messages:

- The financial statements present a true and fair view of the financial position as at 31 March 2025 and have been prepared in accordance with proper accounting practice;
- The Trustees' Annual Report is consistent with the financial statements and has been prepared in accordance with the Charities Statement of Recommended Practice (SORP) and applicable Financial Reporting Standard (FRS 102).

4.3 The external audit identified one low-priority internal control recommendation and two disclosure corrections:

- Low-priority internal control recommendation: Improve the Oracle Fusion user access tracker by adding date fields for when roles are created, amended, or deleted to strengthen audit trail and access management;
- Disclosure correction: Audit fee in the Statement of Financial Activities and Note 6 updated from £9,000 to £9,750 to reflect the amount communicated in the Annual Audit Plan;
- Disclosure correction: Trustees' Annual Report amended to include a summary of the charity's main achievements, as required by Audit Scotland technical guidance.

5. CONCLUSION

5.1 This report updates members on the conclusion of the audit of the council's Trust Funds Annual Accounts for the year ending 31 March 2025. The external auditor's opinion is anticipated to be unqualified, minimal adjustments were made to the draft accounts during the audit process and an opportunity to further strengthen the internal control environment has been taken in response to a new audit recommendation.

6. IMPLICATIONS

6.1	Policy	None.
6.2	Financial	None.
6.3	Legal	None expected.
6.4	HR	None.
6.5	Customer Service	None.
6.6	Risk	None known at this time.
6.7	Climate Change	None.
6.8	Fairer Scotland Duty	None.
6.9	Equalities - protected characteristics	None.

6.10	Consumer Duty	None.
6.11	Island Communities	None.
6.12	Children's Rights and Wellbeing	None.

Kirsty Flanagan

Executive Director/Section 95 Officer

Councillor Ross Moreland - Policy Lead for Finance and Commercial Services

29 January 2026

For further information contact:

Carolyn Earl, Head of Financial Services (Consultant)

carolyn.earl@argyll-bute.gov.uk

ARGYLL & BUTE COUNCIL**COUNCIL****LEGAL AND REGULATORY SUPPORT****29 JANUARY 2026**

**EXTRACT OF MINUTE OF SPECIAL MEETING OF THE AUDIT AND SCRUTINY
COMMITTEE HELD ON 27 JANUARY 2026**

*** 4. AUDITED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2025
- TRUST FUNDS**

The Committee gave consideration to a report which presented the Annual Accounts of the Charitable Trusts administered by the Council for the year ended 31 March 2025.

DECISION

The Audit and Scrutiny Committee:-

1. noted that an unqualified audit certificate will be issued for the Council's Trust Funds Annual Accounts for the year ended 31 March 2025;
2. agreed to accept and endorse the Annual Accounts, as attached as Appendix 1 to the report, and refer to the Council for approval;
3. considered Forvis Mazars Annual Audit Report follow-up letter, attached as Appendix 2 to the report; and
4. recommended that Council authorise for issue, the Trust Funds Audited Annual Accounts for the year ended 31 March 2025, attached as Appendix 1 to the report, and approve for signature, the ISA 580 Letter of Representation, attached as Appendix 3 to the report.

(Reference: Report by Section 95 Officer, dated 27 January 2026, submitted)

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