



Annual Audit Report
Argyll and Bute Council – year ended 31 March 2024

December 2024

Audit and Scrutiny Committee
Argyll and Bute Council
Lochgilphead
Argyll
PA31 8RT

Forvis Mazars
26 Mosley Street
Newcastle upon Tyne
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6 December 2024

Dear Committee Members and Controller of Audit,

Annual Audit Report – Year ended 31 March 2024

We are pleased to present our Annual Audit Report for the year ended 31 March 2024. 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 key judgement areas, was outlined in our Annual Audit Plan, which we presented to you on 13 June 2024.

We have reviewed our Annual Audit Plan and concluded that the significant audit risks and other key judgement areas set out in that report remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0191 383 6339.

Yours faithfully



Mark Outterside (Director)

Forvis Mazars LLP

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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 and the Accounts Commission, the Controller of Audit. We take no responsibility to any member or officer in their individual capacity or to any other third party.

Executive Summary



Executive summary

Audit conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 is set out in 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 Annual Audit Plan, 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 Annual Audit Plan, which include:

- Management override of controls;
- Valuation of the net defined benefit (liability)/surplus;
- Valuation of property; and
- Accounting for PFI and PPP contracts

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

Our audit work in on the financial statements is well progressed. However, we are finalising work in the areas highlighted in Section 2 of this report.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, 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 the Accounts Commission 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.

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; is materially inconsistent with our knowledge obtained in the course of the audit; or is materially misstated. No inconsistencies have been identified and we expect to issue an unmodified opinion in this respect.



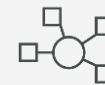
Wider powers

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.



Management Commentary and Annual Governance Statement

We are required to report on whether the information given in the Management Commentary and Annual Governance Statement is consistent with the financial statements; and has been properly prepared in accordance with the statutory guidance issued under the Local Government in Scotland Act 2003 and Delivering Good Governance in Local Government Framework 2016. We have no matters to report in respect of the Management Commentary and Annual Governance Statement



Whole of Government Accounts (WGA)

We anticipate completing our work on the Council's WGA submission, in line with the Technical Guidance Note TGN/WGA/24, provided by Audit Scotland. We anticipate reporting that the WGA submission is consistent with the audited financial statements

Executive summary (continued)

Best Value and Wider Scope conclusions

As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in Audit Scotland's Code of Audit Practice 2021 and sits alongside Best Value requirements detailed in the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2023/24 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 proper financial stewardship of public funds, it complies with relevant legislation, and establishes effective governance of their activities. The Council is also responsible for ensuring that it establishes arrangements to secure continuous improvement in performance and, in making those arrangements, ensures 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 anticipate having no 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 including any significant risks identified.



Best Value

We anticipate having no risks in arrangements 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.

Status of the audit



Status of our audit

Our audit 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 satisfactory resolution of the outstanding matters set out below.

Audit Area and Description of Outstanding Matter	Classification
Debtors Our testing of debtors is substantially complete, a limited number of audit queries remain outstanding.	Low
Valuation of the net defined benefit (liability)/surplus We are finalising our work in this area, including review of the revised disclosures relating to audit adjustments.	Medium
Valuation of property, plant and equipment Our work is substantially complete, and we are finalising our work in this area.	Medium
Cash and Bank Balances We are finalising our work in this area; including receipt of a small number of third-party confirmations.	Low
Comprehensive income and expenditure testing We are working with officers to finalise our income, expenditure and cut-off testing for a limited number of queries.	Low
Consolidation process for group accounts Our work is substantially complete, we are finalising our review of this work.	Low
Annual report and accounts and letter of representation 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.	Low
Audit quality control and completion procedures 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.	Low

Status

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

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

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

Audit Approach



Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Annual Audit Plan.

Materiality

Our provisional materiality at the planning stage of the audit was set at £9,529k for the Council and £9,665k for its group using a benchmark of 2% of gross revenue expenditure at surplus/deficit level. Our Performance materiality was set at £6,670k for the Council and £6,766k for its group.

Based on the final financial statement figures the final overall materiality we applied was £9,697k for the Council and £9,810k for its group, final performance materiality: £6,788k for the Council and £6,867k for its group; final clearly trivial threshold: £291k for the Council and £294k for its group.

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 Annual Audit Plan, we used Forvis 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.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party

organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.

Charitable Trusts

Our provisional materiality for the charitable trusts was set at £16,318, a single materiality to reflect that the charitable trusts financial statements are covered by a single audit opinion. This remains unchanged at final as it was based on the draft financial statements for 2023/24.

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

Audit Approach (continued)

Group audit approach

Group component	Approach adopted	Key points or matters to report
Argyll and Bute Integration Joint Board	Specific procedures.	Our audit of the IJB is underway and we expect there to be changes to the IJB's accounts, which will impact on our work.
Dunbartonshire and Argyll & Bute Valuation Joint Board	Desktop review procedures.	Our work in this area is ongoing with no key points to report as at the time of this report.
Live Argyll	Audit of pension balances and disclosures.	Our work in this area is ongoing with no key points to report as at the time of this report.
Common Good Accounts	N/A	N/A

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

Significant findings



Significant findings

Significant findings, including key areas of management judgement

The significant findings from our audit include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Annual Audit Plan;
- 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; and
- any significant difficulties we experienced during the audit.

Significant findings

Management override of controls

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

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 performing audit work over:

- Accounting estimates impacting amounts included in the financial statements for evidence of management bias;
- Consideration of identified significant transactions outside the normal course of business; and
- Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements

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.

Significant findings (continued)

Valuation of the net defined benefit (liability)/surplus

Description of the risk

As at 31 March 2024, the net defined benefit surplus was £269m (2022/23 - £139m). The valuation of the Council's net liabilities/assets includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data.

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:

- challenging the reasonableness of the Actuary's assumptions that underpin the relevant entries made in the financial statements;
- critically assessing the competency, objectivity and independence of the Actuary;
- liaising with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively;
- comparing assumptions to expected ranges; and
- agreeing data in the Actuary's valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council's financial statements.

Audit conclusion

Our work in this area is ongoing and there have been audit adjustments to the financial statements in respect of the asset ceiling, see Section 6.

Significant findings (continued)

Valuation of property

Description of the risk

The Council held land and buildings (including council dwellings) with a net book value of £457 million at 31 March 2024 (2022-23 £451 million). 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;
- 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 checked whether 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;
- for those valued on Existing Use Value on a market comparable basis, we checked market movements to assess the materiality of potential movement for 2023/24; and
- 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 and assessed any decisions management made in this regard.

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. As this is a significant risk area, we have had detailed discussion with management and there has been additional audit focus on assumptions around indexation and inputs used in valuation such as property areas, in arriving at this conclusion.

Significant findings (continued)

Accounting for PFI and PPP contracts

Description of the management judgement and enhanced 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 our audit addressed this area of management judgement

We addressed this risk through:

- reviewing the Council's adopted approach for accounting for its PFI arrangements;
- reviewing any changes from prior years to the long-term financial model used;
- critically reviewing the assumptions made by management; and
- assessing the completeness and accuracy of disclosures.

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.

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 2023/24, 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 Draft accounts were approved for issue by the Council on 27 June 2024. We reviewed the approved draft accounts, and they were of a good quality.

Significant matters discussed with management

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

Audit of areas with Complex Accounting Estimates

As outlined in the previous section, we discussed with management valuation of defined benefit liability/assets as this material item of account, includes several complex estimations and judgments.

As part of our work, we obtained assurance from the pension fund auditor over the controls relating to the accuracy of data used by the actuary. The pension fund auditor, identified an understatement of private equity, debt infrastructure and direct portfolio assets in the Strathclyde Pension Fund annual accounts. We therefore quantified the potential impact on the Council, based on its share of pension assets included in the total pension fund assets. This resulted in an estimated unadjusted uncertainty totalling £3,295k, as included in section 6 of this report.

From the work of the pension fund auditor, we also noted that although we requested

assurance on benefits paid during the year no assurance was provided on this. We therefore performed alternative procedures by directly testing data obtained from the Pension Fund and identified a difference above our clearly trivial threshold but below our performance materiality between the benefits paid amount in the unaudited financial statements disclosure notes and that provided by the Pension Fund, which we challenged management on and received a satisfactory explanation hence have not included this in section 6 of this report.

During the course of the audit we have had the full co-operation of management. Due to ongoing audit work, the Council was unable to meet the submission date of 30 September 2024, specified in the Local Authority Accounts (Scotland) Regulations 2014, for approval of its audited annual accounts. Forvis Mazars has discussed the implications of this with Audit Scotland who confirmed there are no consequences for the Council.

Significant findings (continued)

Wider responsibilities – statutory reporting

The 1973 Act allows any persons interested to inspect the accounts to be audited and the underlying accounting records of the Council. The act also allows any persons interested to object to the accounts. 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.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We will submit this information to the NAO upon completion of our audit.

Internal control conclusions



Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to the Audit and Scrutiny Committee any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- A control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- A necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered Council's internal controls relevant to the preparation of the financial statements 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 Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which 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 report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiencies Council's internal controls that we have identified as at the date of this report are in set out on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Audit and Scrutiny Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

Internal control conclusions (continued)

Other observations (continued)

Our other internal control observations, as at the date of this report, are set out in this section. These have been reported to management directly and have been included in this report for your information.

Whether internal control observations merit attention by the Audit and Scrutiny Committee and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency - Property Plant and Equipment Valuation Reconciliations – Brought Forward from Prior Year

The Council has improved its reconciliations in regard to results of revaluation exercises and summaries in that it now prepares and maintains a file reconciling the results of the inhouse valuation process undertaken under Programme 1 and Programme 2 to the associated disclosure note in the financial statements. Nonetheless, there is scope to improve the reconciliations further by maintaining clear records on how area inputs are recorded as in some instances these details were difficult to agree to the underlying records.

Potential effects

The lack of this reconciliation contributed to making this audit area time consuming to reconcile the area values in the valuation reports with the underlying supporting documents for instance the maps and architects' area schedules. 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 including to the underlying supporting records such as maps and architects' plans.

Management response

Council finance and property officers welcome the opportunity for continuous improvement and will consider these comments for future years, continuing to build on the process improvements already introduced in this area.

Internal control conclusions (continued)

Other recommendations on internal control

In our view, internal control should be strengthened in these additional areas when practicable.

Description of observation – Dormant/Inactive Bank Accounts

We noted that the Argyll and Bute Council administers numerous bank accounts, several of which were dormant during the period. From our audit testing, it is not clear whether these accounts are actively monitored, due to the low level of activity in each.

Potential effects

Bank statements should be obtained and reconciliations performed for all bank accounts, including those with zero balances and little or no activity, by a member of the finance group who does not have access to withdraw from the accounts. These reconciliations should be independently reviewed by a person independent of the reconciliation process. Maintaining and monitoring dormant/inactive accounts uses resources that could be better used elsewhere and may present an opportunity for the account to be used for inappropriate or fraudulent purposes.

Recommendation

A review of open bank accounts should be carried out periodically to identify dormant accounts. Any accounts that are no longer required should be closed as soon as possible.

Management response

There is an operational requirement for the council to hold a range of bank accounts for treasury management purposes, in order to limit its exposure to credit or counter-party risk. The Creditworthiness approach, set out within the approved Annual Investment Strategy 2024/25, limits the level of investments held with any one counter-party (generally banks or financial institutions) or country. As such, the council requires sufficient flexibility to manage its day-to-day cashflow requirements, whilst having regard to the investment priorities of security, liquidity and return. The deals offered in the market by any given bank on any given day can vary and subsequent to satisfying, firstly the priority of security and then liquidity, the council would look to maximise the return on cash balances invested. Management does not consider the holding of bank accounts that have been dormant during the period to present an issue with the control environment, rather it is an operational necessity to provide flexibility to support the effective delivery of treasury management activities and compliance with the approved Investment Strategy.

Internal control conclusions (continued)

Other recommendations on internal control (continued)

In our view, internal control should be strengthened in these additional areas when practicable.

Description of observation – Inconsistency in Related Party Records

Our testing on related parties identified that one Policy Lead for Health and Social Care is disclosed in the Senior Councillors Remuneration in the accounts but not on the website of the Council.

Potential effects

Inconsistent related party information could be misleading to users of the financial statements/members of the public who access the Council's website for accountability.

Recommendation

Management should perform an exercise regularly to ensure that there is consistency of disclosure between the financial statements' information and the Council website.

Management response

Management accepts that process improvements could be made to minimise the risk of any future discrepancies. Action will be taken to ensure that information is disclosed consistently between the annual accounts and the Council website, through performing regular reconciliations.

Internal control conclusions (continued)

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency – Errors in Exit Packages

Our testing of payroll identified one 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.

2023/24 update

No significant matters noted in this regard in 2023/24.

Internal control conclusions (continued)

Follow up on previous internal control points (continued)

Description of deficiency – Related Parties Declarations

Our testing of payroll 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.

2023/24 update

All the Annual Declaration Forms in 2023/24 were signed and contained the expected information. Resolved.

Summary of misstatements



Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of £291k for the Council and £294k for its group.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Annual Audit Plan, issued on 24 May 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

We will issue a follow up letter to this report, should we need to report any issues arising from the work highlighted in section 2 of this report.

Summary of misstatements

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	CIES	CIES	Balance Sheet	Balance Sheet
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Pension Asset Cr: CIES Remeasurement of net defined liability/ (surplus) To adjust for an error identified by the Strathclyde Pension Fund external auditor, apportioned to the Council, due to the understatement of private equity, debt infrastructure and direct portfolio assets in the Strathclyde Pension Fund annual accounts.		3,297	3,297	
Dr: Gross Expenditure Cr:Gross Income To adjust for an error on internal recharges which had not been adjusted for in the gross income and expenditure figures.	1,553	1,553		
Aggregate effect of unadjusted misstatements	1,553	4,850	3,297	-

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements (continued)

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Audit and Scrutiny Committee should be made aware of.

Details of adjustment	CIES	CIES	Balance Sheet	Balance Sheet
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Pension Reserve			288,794	
Cr: Pension Asset				269,216
Cr: Pension Obligation				19,578
To adjust for the effects of the asset ceiling which brings the balance on the balance sheet to £Nil value instead of the current value of £269,219k which had not considered the effects of the asset ceiling.				
Aggregate effect of adjusted misstatements	-	-	288,794	288,794

Summary of misstatements (continued)

Disclosure misstatements

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

- Remuneration report:- The Council has amended the employee's remuneration to include the taxable benefit values for the VIVUP (employee benefits platform) salary sacrifice scheme as result of the confirmations received relating to the Optional Remuneration Arrangements (OPRA) rules which states that the agreements include the employees tax liability. The Council changed the draft accounts and added 2 new personnel of the over £50k list and made changes for the 4 other employees on the list who moved to the next banding.
- The amount originally disclosed for Note 15.2 relating to the rolling valuation programme increased by £3,514k following audit testing.
- Note 27.2 Financial instruments was amended to increase the loans and receivables amount from £46,423k to £55,333k. Also updated the Charging Care Home Fees for consistency with related disclosures.
- Note 29 Provisions and Management Commentary - disclosure narrative amended to elaborate on withheld sums.

There were several other minor adjustments for disclosure, consistency or presentational issues made to the annual report and financial statements.

We identified the following disclosure misstatements during our audit that have 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.

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

Wider scope



Commentary on Wider Scope

Overall Summary



Commentary on Wider Scope

Wider scope summary





As auditors appointed by the Accounts Commission, our wider scope responsibilities are set out in the Code of Audit Practice 2021 and sits alongside Best Value requirements detailed in the Local Government (Scotland) Act 1973. The Code requirements broaden the scope of the 2023/24 audit and allow 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

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
 Financial management	38	No	No	No
 Financial sustainability	41	Yes – see risk 1 on page 42	No	No
 Vision, leadership and governance	44	No	No	No
 Use of resources to improve outcomes	47	No	No	No

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.



Financial management

Significant Risks and our overall assessment

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

Area assessed	Our findings	Our judgements	Risks identified
Financial management culture	<p>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. As reported in the prior year, the Council has a system of internal control which is designed to manage risk to a reasonable level.</p> <p>The Council has an established medium-term budget (MTFP) process which is designed to keep Members fully informed on changes to assumptions and pressures that affect future year estimates. The plan is updated on a regular basis and reported to each Policy and Resources Committee.</p> <p>The MTFP is part of a Strategic Planning Framework, and our work confirms that arrangements were in place that: link the financial plan to the Council’s objectives to ensure the priorities are delivered; scrutinise the MTFP; and record key assumptions with each savings plan being risk assessed.</p> <p>Our review of Policy and Resource Committee minutes provides assurance that the Council monitors and identifies mitigations to manage any changes in demand and assumptions in the MTFP. The Council also has an established risk management framework (risk matrix), with regular reviews and reporting to the Policy and Resources Committee.</p>	<p>The Council has an appropriate financial management culture in place. It reviews its system of internal financial control annually.</p>	<p>No significant issues identified.</p>

Financial management

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Accountability	<p>Officers regularly presented financial performance reports to the Policy and Resources Committee during 2023/24 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.</p> <p>The officers presented the 2024/25 budget to the Council in February 2024. The budget included previously agreed savings of £93,000 in 2024/25, rising to £1.957m by 2028/29. In order to balance the budget, with a £10.167m budget gap forecast for 2024/25, the main measures employed by the Council include operational and policy cost savings across service areas and an inflationary increase to fees and charges.</p> <p>In response to the pressures on the capital programme, officers have reviewed the earmarked balances and have agreed to release a total of £2.212m. This release is intended to help address some of the shortfall in the capital programme. After cost adjustments, the total gap within the capital programme forecast at 2026/27 is £29.843m per the Budget outlook.</p> <p>The Council's general fund reserves at 31 March 2023 were £86.4m. The Council has a policy of holding a minimum uncommitted balance of 2% of its budgeted annual net expenditure. There was a revised contingency of circa. £6m of free reserves per the budgeting pack for 2024/25 and the annual accounts. Using the final net expenditure for March 2024, this represents a balance which is over 2% of annual net expenditure.</p>	<p>The Council has appropriate budget monitoring and reporting arrangements in place, with appropriate contingency funds in place in accordance with policies.</p>	<p>No significant issues identified.</p>

Financial management (Continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
<p>Arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption</p>	<p>The Council has established arrangements for preventing and detecting fraud and corruption. These include:</p> <ul style="list-style-type: none"> • Whistleblowing policy • Anti-fraud strategy • Codes of conduct for councillors and officers. <p>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. In 2023/24 the Counter Fraud team reported to the Audit and Scrutiny Committee with quarterly updates. They reported on continuous monitoring activities including employee expense claims, with no significant issues or fraud incidents noted indicating any significant weakness in arrangements.</p> <p>The Council also takes part in the National Fraud Initiative (NFI). An NFI check was performed in the 2022/23 Financial year, with none being performed in 2023/24. The council was able to clear all 1,281 matches in the prior year, with zero frauds being identified.</p> <p>The Council has established staff polices including</p> <ul style="list-style-type: none"> • Public interest disclosure policy; and • Code of Conduct, which is based on the Nolan Principles of Public Life. <p>The Council has an in-house internal audit team. The Internal Audit Plan and Head of Internal Audit Report is reviewed by the Council’s Audit and Scrutiny Committee, with quarterly reports being provided, to determine the priorities of the internal audit activity, consistent with the Council’s goals. Internal audit updates show progress is on track and the council’s arrangements are deemed satisfactory.</p>	<p>The Council has appropriate arrangements to prevent and detect fraud and corruption.</p>	<p>No significant issues identified.</p>

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.



Financial sustainability

Significant risks

We have outlined below the 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	<p>Financial Sustainability Councils continue to face significant financial challenges with pressures on funding and increasing demand for services.</p> <p>Budget estimates after the revised assumptions in October 2024 give an anticipated in-year budget gap of £9.147m for 2025/26, rising to a cumulative budget gap of £28.565m by the end of 2029/30 based upon a ‘midrange’ scenario. The Council’s ‘worst case’ scenario highlights a potential £93.220m cumulative budget gap by the end of 2029/30.</p> <p>In common with many local authorities the estimated budget gaps, highlighted in the Council’s analysis represent a potential risk in relation to financial sustainability, which could on the future provision of services in the Council’s area.</p>	<p>Work undertaken We reviewed the Council’s:</p> <ul style="list-style-type: none"> • medium to long term financial strategy; • financial position and track record in delivering planned recurrent and non-recurrent savings in 2023/24; • 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. <p>Results of our work</p> <p>Our review of minutes and supporting papers has confirmed medium-term financial planning arrangements have remained in place in 2023/24. In our assessment, we have considered the prior budget outlook, covering 2023/24-2027/28, and the updated Medium Term Financial Plan (MTFP) from the Policy and Resource Committee meeting in August 2024, covering 2025/26-2029/30.</p> <p>We have considered the Council’s performance in delivering it’s MTFP, including any identified saving targets. Savings targets were set in the February 2024 committee meeting. However, the Council does not have a dedicated savings plan document, these are only drawn up at the operational level although they do not feed into a larger, aggregated savings plan. We recommend that the Council implements a ‘savings plan’ document which tracks a range of saving options to ensure effective monitoring and decision making can take place.</p> <p>As in the previous year, we have confirmed that there has been regular monitoring of the Council’s financial position throughout the year, which included arrangements to routinely update the MTFP, enabling the Council to respond to any identified financial challenges during the life of the plan. In addition, quarterly performance reports for four area committees within Argyll & Bute are reported to the Policy and Resources Committee.</p>

Financial sustainability

Significant risks - continued

	Significant Risk in Arrangements Identified	Work undertaken and the results of our work
1		<p>Results of our work</p> <p>In June 2024, the 2023/24 Revenue Outturn Report presented to the Council highlighted a net overspend of £1.0 million (Excluding Loans Fund) against the net budget, representing 0.42% of the net budget. We have considered the Council's performance in delivering its savings targets within the context of the MTFP and we recognise saving plans are an ongoing and iterative process, developed by officers and agreed by Members based on the latest information. The savings target for 2023/24 was £9.348 million from 20 savings options. Of this, the council achieved 97.9% of the savings totalling £9.152 million.</p> <p>Savings options totalling £4.194 million were included in the Budget Update report presented to the Policy and Resources Committee on 7 December 2023. These savings have been refined, and additional savings options have been identified, bringing the overall value of savings options to £4.974 million in the 2024/25 budget, which is 1.6% of the £311.468 million budgeted expenditure requirement for 2024/25.</p> <p>Our review of the MTFPs issued over the current reporting period, provides assurance that forecasts are based on prudent assumptions including the Council's latest understanding of future government funding arrangements, local revenue assumptions, service demand and other costs pressures. Arrangements for identifying and delivering savings include a timetable for consultation with stakeholders ahead of approval before each financial year. The Council is not forecasting the use of reserves to support the delivery of a balanced budget; and we note the Council's level of reserves do allow some flexibility, with a 2% General Fund contingency in place. Useable reserves have increased from £93.775m at 31 March 2023 to £121.701m at 31 March 2024. These reserves provide some mitigation against future financial challenges; however, the use of reserves cannot be relied on to provide a long-term solution to funding gaps. Therefore, all future income streams need to be considered in detail by the Council to mitigate future challenges, including reviewing Council Tax raising powers. We also note the plan is predicated by the application of £2m from the Strathclyde Pension Fund reduction in rates in 2024/25 and by the amount in both 2025-26 and 2026-27.</p> <p>In October 2024, the Council reported its financial position as at 31 August 2024/25, confirming it has achieved 84% (£5.431 million) of its saving total (£6.466 million).</p>

Financial sustainability

Significant risks - continued

	Significant Risk in Arrangements Identified	Work undertaken and the results of our work
1		<p>Results of our work</p> <p>The net capital expenditure for 2023-24 amounted to £37.860m, exceeding the annual budget of £33.166m. This budget was adjusted during the year to account for previously agreed slippages, accelerations, and virements. Consequently, there was a year-end overspend of £4.694m, representing 14.15%. The main ongoing projects are the Helensburgh Waterfront, Dunoon STEM Hub and CHORD Rothesay, with a combined overspend on these projects of £5.854m.</p> <p>While we recognise there is some uncertainty in the financial position of the Council, consistent with the overall situation of other entities in the Public Sector, our work did not identify any evidence to indicate a significant weakness in the Council's arrangements to mitigate these risks.</p>

Financial sustainability (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial planning	<p>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.</p> <p>The Council faces a very challenging financial position. Its mid-range case scenario from the Budgeting pack for 2024/25, after some assumptions on future years options, but before the 2024/25 budget was approved, projects the following in-year budget gaps:</p> <ul style="list-style-type: none"> £6.583 million in 2025/26 £5.550 million in 2026/27 £3.858 million in 2027/28 £5.200 million in 2028/29 <p>In order to mitigate the above, the Council regularly communicates with the Scottish Government to secure funding and also performs regular budget setting annually, with cost savings being presented to the Policy & Resource Committee.</p> <p>The Council established a cross-party budget working group to ensure that there is early engagement and consensus on budget proposals. The Council previously approved a Council Tax increase of 10% for Argyll and Bute area for 2024/25 to enable sustainability of provision of services but after consideration froze Council tax in line with the Scottish Government’s Council Tax freeze direction and support.</p> <p>The Council faces challenges in delivering its capital programme due to a reduction in General Capital Grant settlement, as it has fallen by £3.428 million in annual funding from total funding of £12.262 million in 2019-20. After cost adjustments, the total gap within the capital programme forecast out to 2026/27 is £29.843m. To address this, among the mitigation measures the Council considers periodically is deferral of capital spending.</p>	<p>The Council has effective financial planning, with an established process to ensure there is early engagement with relevant stakeholders on budget proposals. Councillors and officers should continue working together to make the difficult decisions to respond to the Council’s challenging financial position. The Council should also continue to make efforts to collect all outstanding taxes due.</p>	<p>No significant issues identified.</p>

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.



Vision, leadership and governance

Significant risks and our overall assessment

We have identified one significant risks in arrangements as part of our continuous planning procedures.

Area assessed	Our findings	Our judgements	Risks identified
<p>Clarity of plans to implement the vision</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>We note that the Strategic plan along with other policy documents are undergoing revision due to a change in leadership following a successful political challenge to the previous administration. These are yet to be released. Several reviews are planned and scheduled to be completed prior to March 2025, and these should consider any changes in strategic direction.</p>	<p>The Corporate Plan sets a 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. These are reported within the Council Annual Report in the form of Corporate outcome indicators across seven areas. This report is yet to be released for 2023/24, although for 2022/23 a total of 39 Indicators were above target or on track out of a total of 47 outcome indicators and from discussions with management a similar outcome is expected in 2023/24.</p> <p>The Council’s leadership should ensure that any revisions to the Corporate Plan maintain the clarity of vision, and that these changes are communicated effectively for understanding of staff across the Council for effective implementation.</p>	<p>One risk has been identified relating to the adoption of new corporate plan along with other strategic documents such as a performance improvement framework.</p> <p>There is a risk that future strategic documents will be inconsistent with other related policy documents, adversely impacting the clarity of the Council's vision.</p>

Vision, leadership and governance

Significant risks and our overall assessment

We have identified one significant risks in arrangements as part of our continuous planning procedures.

Area assessed	Our findings	Our judgements	Risks identified
Strategy and priorities	<p>The Council has described what success will look like for each of its objectives within the Corporate Plan, including measures of success for each priority and setting out key commitments. Details on activity, for each financial year, against the Council priorities will be set out in a new Annual Business Plan. This new document replaces the former annual Service Plans to bring more focus and scrutiny on the delivery and performance of the organisation against its priorities. This has been developed and linked to other documents such as the workforce plan and operational workforce plans.</p> <p>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.</p> <p>The Council makes use of equality impact assessments in any key decisions that may change service delivery and impact communities or employees. The council considers 'Fairer Scotland Duty' implications in each paper brought to the Full council or Policy and Resource committee. This includes considering the impact of decisions/ events on equality and socio-economic factors.</p>	<p>The Corporate Plan sets out objectives, measures of success and key commitments under each priority.</p> <p>The Council has considered equality outcomes and socio-economic impacts regarding key decisions.</p>	No significant issues identified.

Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Governance arrangements	<p>The Council's governance arrangements are centred on Council meetings, service committees and the Audit and Scrutiny Committee.</p> <p>Council and Audit and Scrutiny Committee meetings are well attended by councillors and papers are subject to a good level of scrutiny.</p> <p>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.</p>	<p>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.</p>	<p>No significant issues identified.</p>
Financial and performance information	<p>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.</p> <p>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.</p>	<p>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.</p>	<p>No significant issues identified.</p>

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.



Use of resources to improve outcomes

Significant risks and our overall assessment

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

Area assessed	Our findings	Our judgements	Risks identified
Resources deployed to improve strategic outcomes	<p>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.</p> <p>Strategic priorities are subject to change due to new leadership and upcoming publication of new corporate plan and Performance Excellence Project scheduled for March 2025 implementation.</p>	The Council's resource plans are aligned with the Corporate Plan. It can demonstrate budget decisions which reflected its strategic priorities in 2023/24 and reflects its strategic priorities in 2024/25.	No significant issues identified.

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	<p>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. Within this, the Council consults with stakeholders including the Scottish Government to maximise funding, for 2023/24 this included an action to secure Home Energy Efficiency Programmes Scotland (HEEPS) funding for council led schemes.</p> <p>The Council also utilises local contractors for development works and involve residents and other stakeholders in the design and consultation process, an example of this was the Tobermory wall and rails.</p> <p>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.</p>	<p>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.</p>	<p>No significant issues identified.</p>
Arrangements to deliver continuous improvements in priority services	<p>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. Service lines are responsible for setting targets for these measures in delivery plans and regularly monitoring and reporting progress. This is done as part of the budget setting process and the savings updates presented to the Audit and Scrutiny committee. For instance, the Budgeting pack for 2024/25 was taken to Council in Feb 24. This includes an example of a Savings options for various service delivery areas. The relevant service leader provides commentary on potential savings options with associated risks and mitigating factors.</p>	<p>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.</p>	<p>No significant issues identified.</p>

Best Value



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 and have assessed the pace and depth of improvement implemented by the Council.

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. We conduct thematic reviews as directed by the Accounts Commission. In 2023/24 this will be about workforce innovation. The Council is not included in the second year of the programme which runs from October 2023 to August 2024.

Performance Audit and Best Value staff also prepare a report for the Controller of Audit using information and judgements on the pace and depth of continuous improvement reported in this Annual Audit Report. The Council is not 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 considered whether there were any risks to our audit 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.

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	57	No	No	No
 Effectiveness of performance reporting	60	No	Yes – see page 56	Yes – see page 56
 Thematic reviews	62	No	No	No
 Statutory Performance Indicators	67	No	No	No

Best Value (continued)

Significant risks and our overall assessment of the Best Value themes

We have not identified any significant risks in arrangements as part of our continuous planning procedures.

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Vision and leadership	<p>Our 2023/24 wider scope work considered:</p> <ul style="list-style-type: none"> • 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? See page 48. 	<p>The Council has a clear vision with three outward facing priorities and one inward looking.</p> <p>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. The Council needs to revisit its Corporate Plan in line with the new political leadership having assumed office in 2024.</p>	None identified.	No significant issues identified.

Best Value (continued)

Our overall assessment of the Best Value themes (continued)

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Governance and accountability	<p>Our 2023/24 wider scope work considered:</p> <ul style="list-style-type: none"> • 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? <p>See page 40.</p>	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.
Effective use of resources	<p>Our 2023/24 wider scope work considered:</p> <ul style="list-style-type: none"> • How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the Council's priorities? <p>See Page 52.</p>	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	<p>Our 2023/24 Best Value Thematic work considered:</p> <ul style="list-style-type: none"> • In what areas the council has implemented shared services with other councils and partners? • To what extent the council delivers functions through its communities, the third sector, private sector or other providers? <p>See Page 52.</p>	The council participates in joint training and service delivery alongside other local government bodies, in addition to a joint transformation programme with SOLACE. The council also collaborates and delivers services via its subsidiary, LiveArgyll.	None identified.	No significant issues identified.

Best Value (continued)

Our overall assessment of the Best Value themes (continued)

Best Value theme	Our findings	Our judgements	Service improvement considerations	Risks identified
Working with communities	<p>Our 2023/24 wider scope work considered:</p> <ul style="list-style-type: none"> How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council? <p>See Page 53.</p>	<p>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. Equality and Social-economic surveys also involve communities in the decision-making process for changes to service delivery.</p>	None identified.	No significant issues identified.
Sustainability	We did not assess this theme in 2023/24	N/A	N/A	N/A
Fairness and equality	<p>Our 2023/24 wider scope work considered:</p> <ul style="list-style-type: none"> Do strategic plans demonstrate a clear approach to improving inequality outcomes? <p>See Page 48.</p>	<p>Actions to reduce inequalities underpin the Council's priorities and objectives. The Council is focussing on providing support to communities affected by the cost-of-living crisis.</p>	None identified.	No significant issues identified.

Best Value (continued)

Effectiveness of performance reporting

Effective performance management arrangements should be in place to promote the effective use of the local authority's resources. Performance is systematically measured across all areas of activity, and performance reports are regularly scrutinised by managers and elected members. The performance management system is effective in addressing areas of underperformance, identifying the scope for improvement and agreeing remedial action.

We have outlined below a summary of what the Council is reporting in relation to service performance including the Council's assessment of progress against its service priority measures and reporting on its relative performance (from the Local Government Benchmarking Framework and other information used locally).

Effectiveness of performance reporting theme	Our findings	Our judgements	Our conclusions	Risks identified
Effective performance management	<p>The Council uses the Performance Improvement Framework (PIF) to ensure performance is integral to the work of Council and is linked to the strategic corporate plan and overarching mission of the council.</p> <p>As a result of the elections and newly appointed administration, there are several changes anticipated to the strategic plans including a new corporate plan and priorities, and a revised performance improvement framework.</p> <p>The Council continue to pursue performance improvement activities and are in the process of reviewing the approach to self-assessment. As part of this, A template has been developed to evaluate the Council's performance in relation to meeting corporate objectives and key performance indicators, cost of delivering services and customer satisfaction.</p> <p>The Council issues Quarterly Area Committee Performance Reports, looking at performance in the four administrative areas across the Council.</p>	<p>Each of the Area Committee performance reports directly link and assess Corporate outcomes laid out in the corporate plan, showing clear links to overall strategy with comparisons, status trackers and targets vs actuals.</p> <p>A template has been developed to evaluate the Council's performance in relation to meeting corporate objectives and key performance indicators, cost of delivering services and customer satisfaction. However, this is yet to be fully implemented.</p>	<p>It is not clear from review of the Corporate plan and other strategic documents that clear KPIs have been implemented and are regularly monitored to assess the effectiveness of performance.</p> <p>We recommend that the Council ensure new strategic plans and documents interlink and contain clear KPIs that can be used in regular reviews by Those Charged With Governance (TCWG) to assess internal performance.</p>	<p>There is a risk that the performance within the Council is not reliably monitored, and internal or external threats may not be identified or mitigated.</p>

Best Value (continued)

Effectiveness of performance reporting (continued)

Improvement plans reflect a pace and depth of improvement that will lead to the realisation of the local authority's priorities and the long-term sustainability of services. The Council should demonstrate a trend of improvement over time in delivering its strategic priorities.

We have outlined below our assessment on whether the Council can demonstrate a trend of improvement over time in delivering its priorities.

Effectiveness of performance reporting theme	Our findings	Our judgements	Our conclusions	Risks identified
Improvement plans	<p>The recent elections and change in administration of the Council has meant that there are planned changes to key policy and strategy documents other than the improvement plans, including the strategic corporate plan.</p> <p>The previous Corporate Improvement Plan (CIP) ended in 2022, and a new CIP is currently being developed as part of the Performance Excellence Project. The Council continued to report progress on its BV Action plan to Audit and Scrutiny Committee (ASC). This new plan will align with the Corporate Plan and support the new Council priorities which we expect will be brought forward by the new Administration in autumn 2024.</p> <p>Progress is reported annually to the Audit and Scrutiny Committee, for example in March 2024 the Corporate Improvement Plan Updated was presented to the ASC, highlighting continuous improvement activities including the Chief Executive's Connect for Success Change Programme-Connect for Success-My Council Works that sets the strategic thematic goals for corporate improvement activities.</p>	<p>There is currently a large gap between the prior improvement plan which came to an end in 2022 and implementation of an updated version, which has yet to be published. It will be implemented during the 2024/25 year.</p> <p>This represents a two-year gap in a Corporate improvement plan, which is detrimental to the council's ability to set and monitor its Strategic goals against KPI's over time.</p>	<p>As there are no clear KPIs assessed over time the pace and depth of improvements are difficult to determine.</p> <p>We recommend that the Council ensures the CIP is implemented in a timely manner. We also suggest that there are links to workforce planning and other key strategy documents to ensure coherency across the Council.</p>	<p>There is a risk that the Council is unable to accurately track progress towards the Connect for Success themes as there is no finalised Improvement plan in place. It is difficult to assess whether improvements are being made, and the Council may not be able to identify areas that are falling behind in either pace or depth.</p>

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 and related thematic work as prescribed by the Accounts Commission. For the thematic work in 2023/24, we are required to carry out an overview of workforce innovation. 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
Workforce strategy and priorities	<p>The council has implemented an up-to-date people strategy, containing 5 key strategic themes with a focus on attracting and retaining talent. A strategic workforce plan is in place till 2028 demonstrating a medium-term outlook on potential threats.</p> <p>At the operational level, workforce planning is performed at the managerial level which is beneficial as greater insights into resourcing can be achieved from first-hand experience in the day-to-day operations of the council.</p> <p>The 'connect for success' model included within the corporate plan is linked to the People Strategy, where each commitment is linked to a 'Connect for Success' theme.</p>	<p>There is a clear attempt to link resourcing with the needs of the council per the corporate plan. A medium-term outlook up until 2028 demonstrates reasonable consideration for the future, although the new leadership and upcoming changes to key strategy documents such as the corporate plan further necessitate regular monitoring and reviews of the workforce plans to ensure they are consistent with the council's overall corporate plan.</p>	<p>There is a risk surrounding the implementation of the updated corporate plan and that it might not link to the existing workforce strategy and the Medium-term Budget outlook and financial plans.</p> <p>The council should ensure that regular reviews and monitoring of workforce plans are performed so it is consistently aligned with the overall strategy of the council.</p>

Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
Digital technology and the workforce	<p>The council has taken advantage of digital technology to enhance productivity and reduce burden on human resources, for instance the council implemented collaborated with Education Services to digitalise and streamline registration and enrolment. This is to be further enhanced in 2024/25 with robotic updates via an integration into the SEEMIS Education system.</p> <p>The council was selected to participate in the National Records of Scotland paperless registration service, highlighting the Council's willingness to embrace digital transformation. Cost savings have also been realised through recurring reduced mileage being claimed due to continued homeworking and flexible working policies which were implemented in recent years.</p>	<p>We are satisfied with the steps being taken to improve productivity and efficiency through digital technology and implementation of new software/ data management systems.</p> <p>We have confirmed that the Council engage staff and communities when changing service delivery, considering the impact of digital exclusion and service accessibility. This is done through Equality and Socio-economic Impact Assessments (EQSIA) – available on the public domain on the councils website: Equality and Socio-Economic Impact Assessments Argyll and Bute Council.</p>	No significant issues identified.
Flexible working and other innovative staff deployment	<p>The Council released a Hybrid and Flexible work policy in the 23/24 Financial year. Flexible working arrangements have been in place within the council for several years and the policy around this is continually reviewed and updated to reflect changes in services and the environment.</p> <p>The council has gathered feedback from Trade union and employee feedback discussions and are undertaking a first-year review of the Flexible working policy, scheduled for release in December 2024.</p>	<p>The Council does not participate in the 4-day working week and we consider this appropriate due to the nature of the services being provided and continued reliance on its operation by taxpayers and service users.</p> <p>The outcomes from the flexible working policy review should be assessed and integrated going forward. We would recommend that regular monitoring of this is performed, beyond this first-year review. We are satisfied with the current steps being taken and note this as a point forward to consider in 24/25 once the review is finalised.</p>	No significant issues identified.

Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
<p>Developing future skills and capacity</p>	<p>The strategic workforce plan references reducing the budget for the workforce in the long term, with the utilisation of technology compensating for the reduced human resource.</p> <p>The ‘Growing Our own’ (GOO) framework was implemented to ensure future recruitment into the council, it is a tool available to managers to support a pipeline of talent into the workforce. It includes development via Work Experience, Student Sponsorship, Trainees, Apprenticeships etc.</p> <p>The council is appropriately considering the balance between temporary and permanent staff, and the increased costs that come along with a higher ratio of temporary staff compared to permanent.</p>	<p>Confirmed the Council is developing the capability of its workforce and is implementing modern agile work policies to enhance the capacity and skills of its workforce whilst also allocating them to specific areas.</p> <p>Reviews are planned to take place in the upcoming year before March 2025. We would look to revisit these in 2024/25 to determine results of these surveys and managements response.</p>	<p>No significant issues identified.</p>

Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
<p>Joint workforce arrangements across services and partners</p>	<p>The Council participates in joint training and service delivery alongside other local government bodies in Scotland. The council is also involved in a joint transformation programme with SOLACE which aims to transition local government to a new service delivery model.</p> <p>The council delivers reciprocal training between all councils, with qualified coaches delivering these sessions. This encourages strengthening of working relationships between local government.</p> <p>Workforce trends outlined in the Strategic Workforce Planning Priorities show that temporary and casual staff have increased in recent years at around 16% of the workforce. Additionally, 60% of temporary staff leave before the end of their contract. This is being addressed in the Agile workforce plan, which aims to bring in greater hybrid/ flexible working arrangements promote more permanent positions.</p>	<p>The Council should consider how it can improve employee retention and reduce the 60% of temporary staff ending their contract early. A high turnover and tendency for agency recruitment may lead to higher costs and reduced quality of services.</p> <p>The Agile Workforce plan is still in its early phase and as such we cannot determine how effective these working arrangements will be in changing the workforce trends. . The Council has plans to monitor and review the plans and these are scheduled alongside their review of the Hybrid and Flexible working policy, which is to be done annually at present.</p>	<p>Yes – Risk identified relating to the increase in temporary and casual staff alongside high turnover rate before contracts end, in specific, hard to recruit service areas.</p>

Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Risks identified
<p>Measuring the impact of workforce planning</p>	<p>Workforce planning actions laid out in the workforce planning risk matrix are monitored regularly on a quarterly basis. Operational line managers raise key concerns and suggestions which are taken to a workforce planning risk matrix.</p> <p>The council has several reviews targeted for completion within the 24/25 Financial year, these include:</p> <ul style="list-style-type: none"> - A review of Flexible working policy - Regular quarterly reviews of Health of the Organisation (HOO) reports - A review of the impact of the Council's AB365 programme is underway - A Digital skills survey is to be repeated before March 2025 <p>These contain key metrics and quantitative statistics for the chosen department/ Directorate compared to the council as a whole.</p>	<p>Confirmed HOO Reports are used to monitor and inform workforce planning, with a section in the report relating to the delivery of a workforce plan. Council's approach to workforce planning is actively being updated based on feedback to ensure that regular tracking of actions can be achieved. We will follow-up on these reviews in the following financial year once they have been completed.</p>	<p>No significant issues noted.</p>

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
<p>Statutory Performance Indicator 1: Improving local services and local outcomes</p>	<p>Statutory Performance Indicator (SPI) 1 requires a council to report its performance in improving local public services and progress against agreed desired outcomes</p> <p>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.</p> <p>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.</p> <p>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. For the 2023/24 financial year this is scheduled to be published in December 2024, as such information has not yet been released for 23/24. The prior year report can be found with others online: Council Annual Reports Argyll and Bute Council.</p>	<p>The Council has appropriate arrangements in place for complying with SPI 1.</p>	<p>No significant issues identified.</p>

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 2: Demonstrating Best Value	<p>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.</p> <p>The Council's website includes a section on quarterly and annual reporting, which includes links to external audit reports.</p> <p>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, which can be found online at: Best Value 3 Report Argyll and Bute Council.</p>	The Council is compliant with SPI 2, as audit reports and assessments of the council are attached and accessible to the public on their website.	No significant issues identified.

Appendices

- A: Draft management representation letter
- B: Draft audit report
- C: Confirmation of our independence
- D: Other communications
- E: Wider scope and Best Value ratings



Appendix A: Draft management representation letter

Mark Outterside
Forvis Mazars
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

DD/MM/2024

Dear Mark

Argyll and Bute Council - Audit for the Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Argyll and Bute Council (the Council) and its group for the year ended 31 March 2024 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 2023/24 (the 2023/24 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 2023/24 (the 2023/24 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.

Appendix A: Draft management representation letter

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.

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 2023/24 (the 2023/24 Code).

Laws and regulations

I confirm that I have disclosed to you all those events of which I am 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.

Appendix A: Draft management representation letter

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 2023/24 (the 2023/24 Code).

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am 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.

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.
- RAAC – I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and whether there are indications of a need for an impairment of the Council's property, plant and equipment balances. I confirm there are no such indications of impairment in those assets.

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.

Appendix A: Draft management representation letter

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 2023/24 (the 2023/24 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 sincerely

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 2024 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 material accounting policy information. 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 2023/24 (the 2023/24 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Council and its group as at 31 March 2024 and of its income and expenditure of the Council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 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.

Appendix B: Draft audit report

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.

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 operations of the Council and its group.

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.

Appendix B: Draft audit 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.

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.

Appendix B: Draft audit report

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.

Mark Outterside
For and on behalf of Forvis Mazars LLP
Forvis Mazars LLP
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

XXXX December 2024

Appendix C: Confirmation of our independence

We communicate any matters which we believe may have a bearing on our independence or the objectivity of Forvis Mazars LLP and the audit team. 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 confirm that no new threats to independence have been identified since issuing our Annual Audit Plan and therefore we remain independent.

Appendix C: Confirmation of our 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 Annual Audit Plan presented to the Audit and Scrutiny Committee in June 2024. Having substantially completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Auditor remuneration	£251,690	£237,440
Pooled costs	£9,170	£0
Contribution to PABV costs	£63,850	£57,770
Audit support costs	£0	£9,000
Sectoral cap adjustment	(£110)	(£2,030)
Additional fees in respect of testing required to reflect the transition to a new ledger in 2022/23	0	£4,225
Total fees	£324,600	£310,465

Fees for other work

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

Fees for audit of Charitable Trusts





The audit fee in table above does not include the cost of auditing the Council's 7 Scottish Charity Regulator (OSCR) registered charitable trusts. We propose setting a fee for the audit of these of £9,000 (2022/23 fees were £6,500).

Services provided to other entities within the Council's group



In addition, to auditing the Council's 7 charitable trusts mentioned above, we are providing audit services to the following entities in the Council's group:

- Argyll and Bute Integration Joint Board (total fee of £33,360)
- Dunbartonshire and Argyll & Bute Valuation Joint Board (total fee of £9,320).
- Live Argyll (total fee of £18,200)


Appendix D: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>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.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> 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.
 <p>Going Concern</p>	<p>We have not identified any evidence to cause us to disagree with the Section 95 Officer that the Council will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</p> <p>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.</p>

Appendix D: Other communications (continued)

Other communication	Response
 Subsequent events	<p>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.</p> <p>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.</p>
 Matters related to fraud	<p>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.</p> <p>We will obtain written representations from management, and where appropriate the Audit and Scrutiny Committee, confirming that:</p> <ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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.

Appendix D: Other communications (continued)

Other communication	Response
 <p>National Fraud Initiative</p>	<p>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.</p> <p>The Council has received matches for investigation in 2023 which are required to be investigated by 30 September 2023. We have monitored the Council’s participation and progress during the 2023/24 audit. During the 22/23 NFI exercise, the Council received a total of 48 reports containing 1,783 matches. Using a risk-based approach, the Council investigated 71.8% of the matches. A further 2,557 matches were made within council tax registers that form the basis of the Council Tax recheck and related work carried out by the Councils Counter Fraud Team on the back of the NFI matching in this area.</p> <p>The 22/23 investigation continued beyond 30 September 2023 therefore we continued to monitor the Council’s participation and progress during 2023/24 and found that 1,188 of the matches identified were cleared, with 93 data errors.</p>

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.

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