



Annual Audit Report
Argyll and Bute Council – year ended 31 March 2025

January 2026

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

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

16th January 2026

Dear Committee Members and Controller of Audit,

**Annual Audit Report – Year ended 31 March
2025**

We are pleased to present our Annual Audit Report for Argyll and Bute Council for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland’s Code of Audit Practice (“the Code”). This report is intended solely for the Audit and Scrutiny Committee for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. Except where required by law or regulation, it should not be used, quoted or made available to any other parties without our prior written consent.

We appreciate the courtesy and co-operation extended to us by Argyll and Bute Council throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully



Mark Outterside (Director)

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This document is to be regarded as confidential to Argyll and Bute Council. It has been prepared for the sole use of the Audit and Scrutiny Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

01

Executive Summary

Executive summary

Scope

We have been engaged to audit the financial statements of Argyll and Bute Council for the year ended 31 March 2025 which are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

We have conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs'), relevant ethical and professional standards, and the requirements set out in the Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from our appointment by the Accounts Commission under the Part VII of the Local Government (Scotland) Act 1973.

Audit status

Our audit procedures are now substantially complete for the year ended 31 March 2025.

At the time of preparing this report, there are no significant matters outstanding.

Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to the Audit and Scrutiny Committee in our Annual Audit Plan.

Our significant risks and other areas of focus are set out in the '*Audit approach and risk summary*' section, with a summary of our audit approach over those areas. Significant findings from our audit are set out in the '*Significant findings*' section.

Significant control deficiencies

We did not identify any significant deficiencies in internal control.

The non-significant control observations that we have identified to date are set out in '*Appendix A: Internal control conclusions*'.

Audit misstatements

A summary of the adjusted and unadjusted misstatements above our reporting threshold we have identified to date is set out in the '*Summary of misstatements*' section.

Executive summary (continued)

Audit opinion

At the time of issuing this report and subject to the satisfactory conclusion of our remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix C.

Wider scope

We anticipate having no significant wider scope risks 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 details have been provided in *section 'Wider scope and Best Value'* of this report.

Best Value

We anticipate having no significant 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. We have raised some recommendations relating to our work on the Thematic Review and Effectiveness of Performance Reporting. Further details have been provided in *section 'Wider scope and Best Value'* of this report. We have also produced a separate report for the Thematic Review, which covers the theme of Transformation.

Management Commentary and Annual Governance Statement opinion

We anticipate that we will have no matters to report in respect of the Management Commentary or the Annual Governance Statement preparation as it is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003 and Delivering Good Governance in Local Government Framework 2016. Our proposed Management Commentary and Annual Governance Statement opinion is included in the draft auditor's report in Appendix C.

Matters on which we report by exception

We are required by the Accounts Commission for Scotland 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.

Other information

We are required to report on whether the other information (comprising of the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration and Staff 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 have issued an unmodified opinion in this respect.

Executive summary (continued)

Wider reporting 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. No such correspondence from electors has been received.

Reporting to the group auditor

We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Executive summary (continued)

Qualitative aspects of Council's accounting practices

We have reviewed Council's accounting policies and disclosures and conclude that they comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, appropriately tailored to the Council's circumstances.

The first set of draft accounts did not include appropriate disclosures for IFRS 16 (in relation to leases and Public Private Partnership arrangements), as there were delays from MUFG, who the Council engaged as a specialist to provide technical support for their lease transition work. This was disclosed in the management commentary in the first set of accounts, and appropriate disclosures were subsequently added to the accounting policies in their updated accounts once MUFG had completed their transition work for the Council.

While the draft accounts received on 27 June 2025 did not reflect IFRS 16, a revised version was submitted on 12 November 2025, and each set was prepared to a good quality.

Significant matters discussed with management

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

- **IFRS 16 transition:** As noted above, the Council's first set of draft accounts did not contain updated disclosures for Leases and Public Private Partnership arrangements under IFRS 16, due to delays from the Council's specialist technical advisor, MUFG, who assisted with the Council's transition work and disclosures. This led to a delay in receiving updated accounts (inclusive of the disclosures under IFRS 16), which were not received until November 2025. The updated lease disclosures were of a good quality. We tested leases and PPP arrangements at enhanced risk this year – please see page 22 for more detail.
- **New payroll system:** The Council transitioned from their old payroll system (ResourceLink) to a new system (iTrent) in August 2024. We engaged our internal IT specialist team to undertake additional work around the governance of the data migration of this. One internal control recommendation was identified – please see page 88. We also tested payroll at enhanced risk – please see page 23 for more detail.
- **Prior period restatements:** The Council processed one material prior period adjustment relating to the presentation of Cash and Cash Equivalents. Live Argyll bank balances are transacted through and held within the Council's own bank accounts and were previously presented as a debtor rather than being included within Cash and Cash Equivalents. These balances were reclassified from Debtors to Cash and Cash Equivalents in the 2023/24 comparative figures with a corresponding creditor recognised to reflect the liability to Live Argyll. There were also non-material prior period adjustments relating to the presentation of Cash and Cash Equivalents, and gross interest paid and received. None of these restatements have had any impact on the surplus/deficit, net assets or reserves position.

Executive summary (continued)

Significant difficulties during the audit

We have not encountered any significant difficulties and we have had the full co-operation of management.

Other matters of significance

We encountered no significant difficulties during our audit and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and the Audit and Scrutiny Committee during our audit. All requested information and explanations were provided to us.

Other matters we are required by ISA (UK) 260 *Communication with Those Charged with Governance* to communicate to you have been set out in Appendix E.

02

Status of our 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 quality control and completion procedures

Our audit work is subject to ongoing manager and director review and quality control procedures. In addition, we need to update post balance sheet event considerations. We will complete our final review of the accounts upon receipt of the signed version and letter of representation.

Status

Medium

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.

N/A - Work on Wider Scope and Best Value arrangements therefore no risk of adjustment to the financial statements.

Audit approach and risk summary

Audit approach and risk summary

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Annual Audit Plan, issued in June 2025.

Materiality

Our provisional materiality for the Council at the planning stage of our audit was set at £9,697k using a benchmark of 2% of gross operating expenditure as per the Annual Audit Plan (provisional performance materiality: £7,273k; and provisional clearly trivial threshold: £291k).

Our provisional materiality for the Group at the planning stage of our audit was set at £9,810k using a benchmark of 2% of gross operating expenditure as per the Annual Audit Plan (provisional performance materiality: £7,358k; and provisional clearly trivial threshold: £294k).

Based on the final financial statement figures, the final overall materiality we applied for the Council was £10,442k (final performance materiality: £7,832k; final clearly trivial threshold: £313k). The final overall materiality we applied for the Group was £10,584k (final performance materiality: £7,938k; final clearly trivial threshold: £317k).

Group audit approach

We have made some minor changes to our Group audit approach, please see page 16 for more detail.

Charitable Trusts

Based on the final financial statement figures, the final overall materiality applied for the Charitable Trusts was £16k (final performance materiality: £10k; final clearly trivial threshold : £0.5k).

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

Audit approach and risk summary (continued)

Significant risks	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
Management override of controls	Yes	Yes	No	Yes	No	No	No	Risk satisfactorily addressed.	18
Valuation of the net defined benefit (liability)/surplus	No	Yes	Yes	Yes	No	Yes	No	Risk is satisfactorily addressed but we identified some minor disclosure misstatements on the pension notes.	30
Valuation of property, plant and equipment	No	Yes	Yes	Yes	No	No	Yes	Risk satisfactorily addressed, but we identified some internal control recommendations.	88 and 91

Audit approach and risk summary (continued)

Other key areas of judgement, and enhanced risks	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
Lease liabilities including PPP (Public Private Partnership) contracts	No	Yes	Yes	Yes	No	Yes	Yes	Risk satisfactorily addressed, although there were several adjustments to the financial statements (as a result of MUFG – the Council’s technical advisor – providing their IFRS 16 data after the date that the draft accounts were published).	28-29
Accuracy and completeness of staff costs following change in payroll/HR system	No	Yes	Yes	Yes	No	No	Yes	Risk satisfactorily addressed, although we noted an internal control recommendation.	87

Audit approach and risk summary (continued)

Overview of our group audit approach

You engaged us to audit the group financial statements of Argyll and Bute Council and Group. Based on our risk assessment and the financial information for the year ending 31 March 2025, we determined that certain components consolidated into the group financial statements should be subject to either a full scope audit or a specific scope audit, as set out in the table below.

Component name	% Group Expenditure	Location	Auditor	Scope	Changes to scope since planning?
Argyll and Bute Council	98%	Kilmory, Lochgilphead, Argyll, PA31 8RT	Forvis Mazars	Parent - a full audit of the financial information.	No
Argyll and Bute Integration Joint Board	0%	Campbeltown, PA28 6LE	Forvis Mazars	A full audit of the financial information. We initially intended to perform specific procedures on the Integration Joint Board's accounts, but we have completed the full audit alongside the Council audit.	Yes
Dunbartonshire and Argyll and Bute Valuation Joint Board	0.3%	Kilbrannan House, Bolgam St, Campbeltown, PA28 6JY	Forvis Mazars	Audit of specific balance – the Pension asset/liability. We did not intend to perform any procedures on these accounts but noted on review of the draft accounts that there are material gross figures for Pensions included as part of the Valuation Joint Board's accounts.	Yes
Live Argyll	1.6%	Campbeltown Aqualibrium. Kinloch Road, Campbeltown, Argyll, PA28 6EG	Forvis Mazars	Audit of specific balance – the Pension asset/liability. We obtained a specific IAS 19 report for this work.	No
Common Good accounts	0.1%	Kilmory, Lochgilphead, Argyll, PA31 8RT	Forvis Mazars	N/A – this has not been scoped into our group work on the grounds of materiality.	No

Audit scope definitions

Full scope audit: an audit of the component's financial information prepared for group reporting purposes using component performance materiality.

Audit of account balance(s), class(es) of transaction, and/ or disclosures(s): an audit of specific account balance(s), class(es) of transaction, and/ or disclosure(s) included in the component's financial information prepared for group reporting purposes, using component performance materiality.

Group engagement team instructed engagement procedures: specific audit procedures performed over the component's financial information, as instructed by the group engagement team, using component performance materiality.

Significant findings

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Management override of controls

Description of the risk

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.

How we addressed this risk

We addressed this risk through performing audit work over:

- accounting estimates impacting amounts included in the financial statements;
- 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

There are no significant issues to report regarding management override of controls.

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Valuation of the net defined benefit (liability)/surplus

Description of the risk

As at 31 March 2025, the net defined benefit liability was £16.984m. 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. 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;
- compared assumptions to expected ranges; and
- agreed 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

Other than some minor disclosure issues (which have been reported per Section 05 of this report), there are no significant issues to report regarding the valuation of the net defined benefit (liability)/surplus.

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Valuation of property, plant and equipment

Description of the risk

The Council held land and buildings (including council dwellings) with a net book value of £455.9m at 31 March 2025. The Council has adopted a rolling revaluation model which involves other land and buildings being 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 not 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;
-

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Significant risks

Valuation of property, plant and equipment (continued)

How we addressed this risk (continued)

We addressed this risk through:

- 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 will check market movements to assess the materiality of potential movement for 2024/25; 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

Based on our audit work, we have obtained sufficient, appropriate assurance. There are two control recommendations that have carried through from previous years – please see page 88 and 91.

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Enhanced risks

Lease liabilities including PPP (Public Private Partnership) contracts

Description of the risk

Enhanced risk due to the implementation of a new accounting standard in 2024/25 (IFRS 16 Leases). The Council has the following PPP contracts:

- Schools Non-Profit Distributing Organisation (NPDO) Public Private Partnership; and
- Schools Hub Design, Build, Finance and Maintain Contract (DBFM) Public Private Partnership.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Council will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease. The new standard also applies to the Council's PPP arrangements from 1 April 2024. On transition to IFRS 16 on 1 April 2024, the Council will apply the standard retrospectively without restatement. Additional new disclosures will also be required. The Council has previously made disclosures in its financial statements; however, this is a complex area, hence we have assessed it as an enhanced risk.

How we addressed this risk

We addressed this risk through:

- critically review the accuracy and completeness of the Council's assessment and review the changes to the PPP models;
- review the accounting treatment;
- ensure the required disclosures have been made; and
- seek other evidence as appropriate.

Audit conclusion

Based on our audit work, we have obtained sufficient, appropriate assurance. We have included the IFRS 16 transition adjustments per the adjusted misstatements schedule, as these had not been processed per the draft accounts. Note that the PPP CIES adjustments (per page 28) include the correction of a historical error in the old PPP model, which has been processed this year to ensure the starting PPP balances were on the correct opening basis. We also noted that the NPDO model was not operational in 2024/25, and the DBFM model (created by MUFG – the Council's technical advisors) was hard coded. Work was performed to reverse engineer these models to become formula driven.

Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

Enhanced risks

Accuracy and completeness of staff costs following change in payroll/HR system

Description of the risk

The Council have changed their payroll/HR system in-year (during August 2024), from ResourceLink to iTrent. There is a risk relating to data migration, as this involves a significant amount of payroll/HR data being migrated from one system to another, which increases risks in relation to accuracy and completeness of this data.

How we addressed this risk

We addressed this risk through:

- reviewing the Council's arrangements for ensuring the iTrent system is accurate and complete;
- reviewing key files to ensure that these reconciled and were accurately recorded in the financial statements;
- increasing our sample size of staff costs by testing at enhanced risk; and
- using an internal Forvis Mazars IT expert/specialist to review the governance behind the data migration.

Audit conclusion

Based on our audit work, we have obtained sufficient, appropriate assurance. We have noted one control recommendation from the data migration governance – please see page 87.

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. No such reports have been prepared.
- 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. No such reports have been prepared.
- 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. No such recommendations have been prepared.

05

Summary of misstatements

Summary of misstatements

Unadjusted misstatements

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Annual Audit Plan, issued in June 2025. Any subsequent changes to those figures are set out in the 'Audit Approach and Risk Summary' section of this report.

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 the Audit and Scrutiny Committee unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Nature	Assets	Liabilities	Reserves	CIES
		£'000	£'000	£'000	£'000
Plus – aggregated unadjusted misstatements brought forward from 2023/24 audit	Being the unadjusted errors identified in the 2023/24 audit that impact upon 2024/25.	2,549	-1,200	0	-1,349
Aggregate effect of unadjusted misstatements		3,105	1,200	0	1,905

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	Nature	Assets	Liabilities	Reserves	CIES
		£'000	£'000	£'000	£'000
Dr: Gross Income (various lines)	Being the adjustment to rectify errors arising from internal transaction adjustments.				419
Cr: Gross Expenditure (various lines)					-419

Summary of misstatements (continued)

Adjusted misstatements (continued)

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	Nature	Assets	Liabilities	Reserves	CIES
		£'000	£'000	£'000	£'000
Dr: Interest payable and other charges Cr: Gross expenditure (Education) Cr: Reserves	Being the adjustments made to the Comprehensive Income and Expenditure Statement following the implementation of IFRS 16 in relation to Public Private Partnership (PPP) schemes.				
Dr: Property, Plant and Equipment Dr: Reserves Cr: Other liabilities (Short term) Cr: Other liabilities (Long term)	Being the adjustments made to the Balance Sheet following the implementation of IFRS 16 in relation to Public Private Partnership (PPP) schemes.	3,679	-62 -4,621	1,004	

Summary of misstatements (continued)

Adjusted misstatements (continued)

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	Nature	Assets	Liabilities	Reserves	CIES
		£'000	£'000	£'000	£'000
Dr: Interest payable and other charges	Being the adjustments made to the Comprehensive Income and Expenditure Statement following the implementation of IFRS 16 in relation to Leases.				
Dr: Reserves					
Cr: Gross expenditure (various lines)					
Cr: Gain on initial recognition of lease – Capital contribution					
Dr: Property, Plant and Equipment	Being the adjustments made to the Balance Sheet following the implementation of IFRS 16 in relation to Leases.	6,015			
Cr: Other liabilities (Short term)			-1,946		
Cr: Other liabilities (Long term)			-3,846		
Cr: Provisions (Long term)			-7		
Cr: Reserves					-216
Aggregate effect of adjusted misstatements		9,694	10,482	2	786

Summary of misstatements (continued)

Disclosure misstatements

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

- There was no accounting policy included for IFRS 15 – Revenue from contracts with customers.
- There was no individual disaggregating note included within the accounts for Interest Payable, and Interest and Investment Income.
- Per Note 31 (Defined Benefit Pension Schemes), the 'Change in Financial and Demographic Assumptions' figure was presented as a net figure – it should be disaggregated into separate assumption line figures.
- Per Note 31 (Defined Benefit Pension Schemes), the disclosure on the Virgin Media legal case was not up to date.
- Per Note 31 (Defined Benefit Pension Schemes), the figure for past service costs was disclosed as £0k – it should be £276k.
- Per Note 15 (Property, plant and equipment), the disclosures on the statutory override (in relation to infrastructure) did not contain enough detail.
- The presentation of the Cash Flow Statement had changed from the indirect method, to the direct method. Whilst this is permitted under the Code, the change in presentation needs to be accompanied by a clear explanation.
- Per Note 14 (Related Parties), the figure for Bookfan Ltd Trading (per Note 14.2) was incorrectly disclosed as £71k – this should be £91k.
- Per Note 14 (Related Parties), a related party for one of the Councillors had not been included within the disclosure on Note 14.3.
- On the Group Balance Sheet, the 'Investment in Associates and Joint Ventures' figure is split out between long term/short term assets and liabilities – this should be presented as one net figure under long term assets.
- On the Group Comprehensive Income and Expenditure Statement, the restated figures for 23/24 from the single entity statement had not been updated.
- Per the Remuneration Report, under 'Other Departures', there was an exit package incorrectly disclosed as £67,464, which should be £81,937. This means the overall total should be £242,971, rather than £228,498 (which it is per draft accounts).

06

Fraud considerations

Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

Your responsibilities

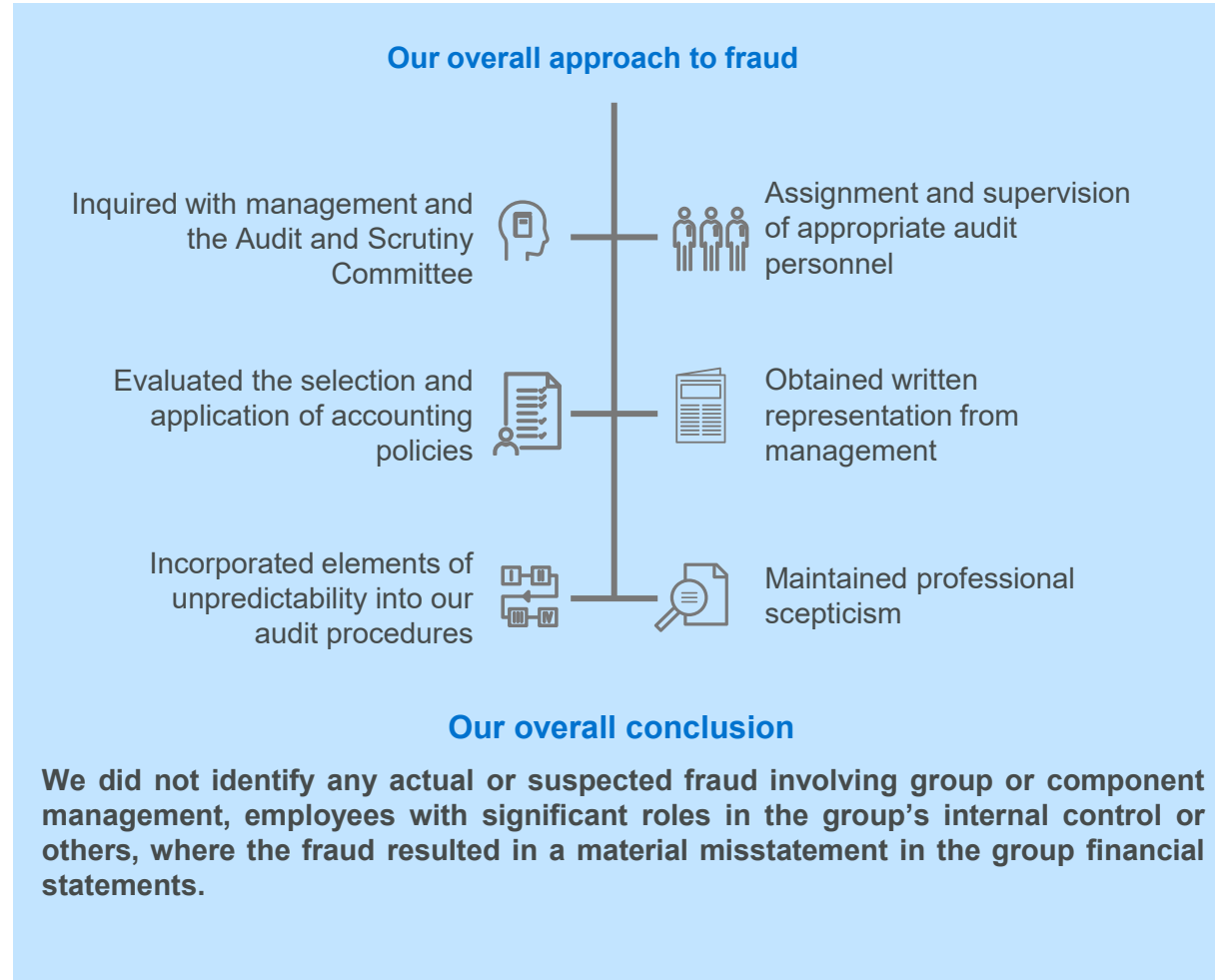
Management has primary responsibility for the prevention and detection of fraud. It is important that management, with your oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by your active oversight.

Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

ISA presumed fraud risks

As set out in the 'Audit approach and risk summary' section, the risks of fraud in management override of controls was identified as a significant risk.



07

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 2024/25 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

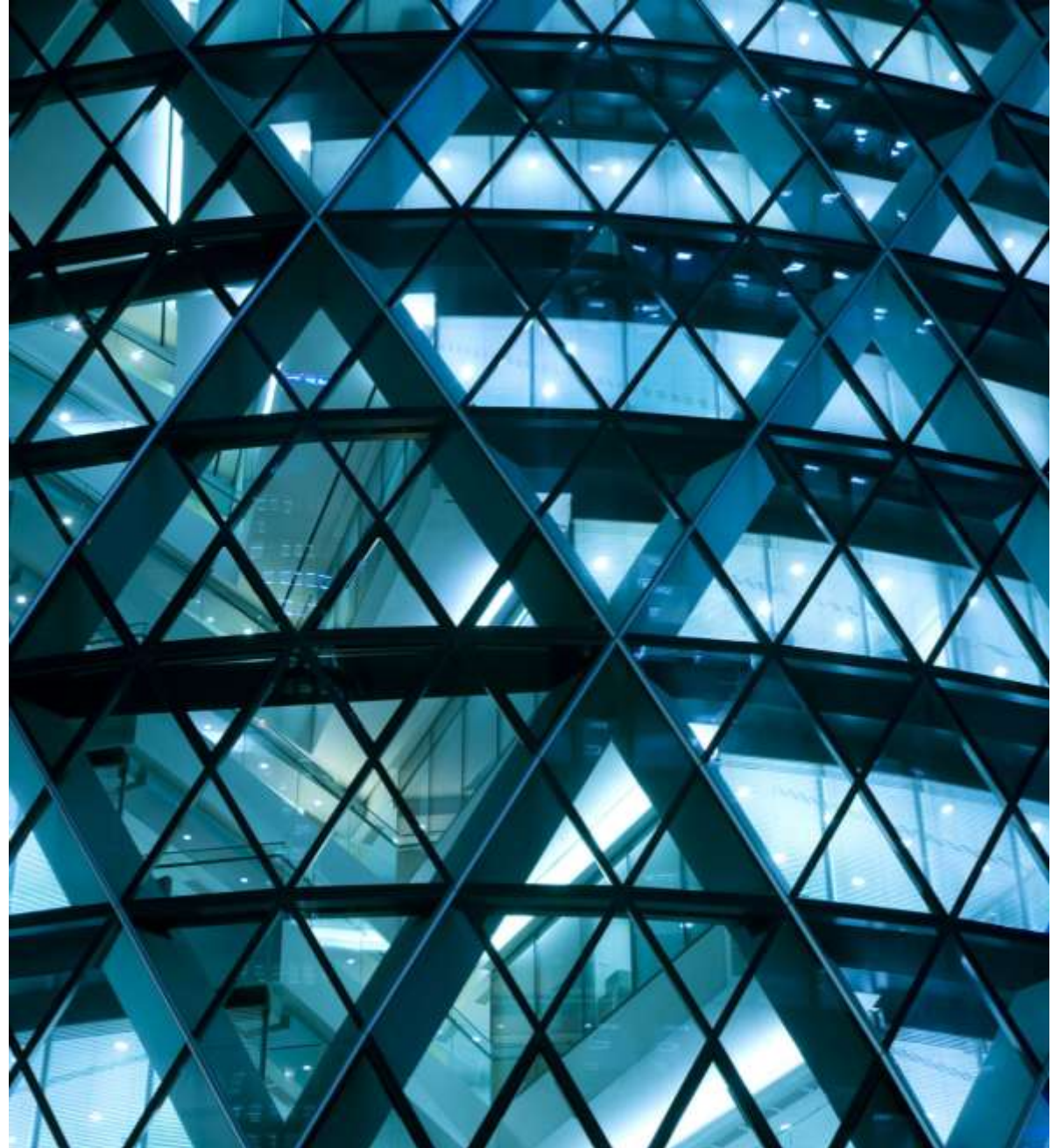
From the satisfactory conclusion of our audit work, we have the following conclusions:

Reporting criteria	Commentary page reference	Possible significant risks?	Significant risks identified?	Other recommendations made?
Financial management	36	No	No	No
Vision, leadership and governance	46	Yes – see page 47.	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 (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Financial management culture	<p>The Council demonstrates an effective culture in terms of financial management. The Council produces an annual Treasury Management Strategy, an Annual Report, and a detailed Medium Term Financial Plan.</p> <p>The most recent Medium Term Financial Plan (called 'Budget Outlook 2026-27 to 2030-31') was taken to the Policy and Resources Committee in December 2025. This noted that the in the mid-range scenario (after measures to balance the budget), the estimated budget gap would be £6.2m in 2026-27 and would total £31.1m over the period from 2026-27 to 2030-31. This is based on a 5% increase in council tax (for illustration purposes), and before other measures to balance the budget are progressed, including policy savings options.</p> <p>Budget updates are taken to the Policy and Resources Committee on a regular, rolling basis throughout the year, with key updates presented typically in November/December, and a formal budget-setting is reported in February of each year.</p>	The Council has appropriate and effective financial management arrangements in place.	No significant risks identified.

Financial management (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Financial management culture (continued)	<p>The Council has plans to place to address the funding gap issues it faces in the future, although some of these plans are still in early stages. These are based around service transformation (reviewing and redesigning services to be more efficient/sustainable) and expanding digital services (investing in technology to enhance and streamline key services). They also intend to carefully manage reserves and have noted that over-reliance on reserves is not sustainable or enough to close the budget gap alone.</p> <p>We have reviewed the Policy and Resources Committee minutes on a rolling basis throughout the year and have obtained sufficient assurance that the Council carefully monitors their financial position and identifies mitigations that can address issues where necessary. Financial risks are also reported to the Policy and Resources Committee. The most recent analysis was presented in December 2025, covering both Council-wide and departmental risks, with notable risks including severe weather costs, an unfunded pay award, and a Council Tax income reduction.</p>	(See previous page).	(See previous page).

Financial management (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Accountability	<p>Budget reports are presented annually to the Council. The budget for 2025-26 was presented in February 2025 and covers 2026-27 to 2029-30. As noted above, a revised Budget Outlook was taken to the Policy and Resources Committee in December 2025, covering 2026-27 to 2030-31. The budget for 2025/26 has incorporated several measures to balance the budget - these include an increase in council tax, management/operational savings, and the use of reserves (£1.558m), noting that the use of reserves is "one-off in nature", and intended to be used as a gap reduction in 2025-26 only.</p> <p>Budget update reports are presented to the Policy and Resources Committee throughout the year. From our review of minutes, we have noted that five of these Committee meetings took place throughout 2025, and budget updates and financial monitoring reports were presented each time. Our review of these reports also notes that they contain sufficient detail for Council members to scrutinise.</p> <p>The Council's general fund reserves as of 31 March 2025 are £112.7m. The Council has a policy of holding a minimum uncommitted balance of 2% of its budgeted annual net expenditure, to have a buffer against unforeseen costs or events. Per Note 6.1 in the financial statements, the Council has a contingency balance of £6.539m, which is equivalent to 2% of the Council's budgeted net expenditure for 2025-26.</p>	The Council has appropriate budget monitoring and reporting arrangements in place, with appropriate contingency funds in place in accordance with policies.	No significant risks identified.

Financial management (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
<p>Arrangements to prevent and detect fraud, error and other regularities, bribery and corruption</p>	<p>The Council maintains its own fraud and corruption policies. There are established arrangements for preventing and detecting fraud, including codes of conduct for officers, an anti-fraud strategy, and a whistleblowing policy.</p> <p>The Council has an established internal audit team, with regular reports (including the Internal Audit Plan and Head of Internal Audit Report) being taken to the Audit and Scrutiny Committee and interrogated by members. The annual Head Internal Audit report provided a reasonable level of assurance on the adequacy of internal controls and governance arrangements within the Council.</p> <p>We have considered IT general controls and other key business process controls as part of our audit planning in 2024/25. We did not identify any significant control issues with the controls in place.</p> <p>We also received signed letters from both management and the Audit and Scrutiny committee, which did not raise any issues in terms of controls or issues throughout the year.</p>	<p>The Council has appropriate arrangements in place to prevent and detect fraud and corruption.</p>	<p>No significant risks 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 (continued)

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 Before implementing measures to balance the budget, the 2025/26 budget gap stood at £10.938 million. The budget also highlights a gap of £9.528m in 2026/27 rising to a cumulative budget gap of £29.537m by the end of 2029/30 based upon a 'mid-range' scenario. The Council's 'worst case' scenario highlights a potential £55.999m cumulative budget gap by the end of 2029/30. This represents a risk in relation to financial sustainability, impacting 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 2024/25; - financial performance in 2024/25 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 We have reviewed the Council's Budget Outlook 2026-27 to 2030-31, which was presented to the Policy and Resources Committee in December 2025. There is a significant funding gap forecast for this period - under a mid-range scenario, the Council may face a £14.2m funding gap in 2026-27, which could cumulatively rise to £58.5m by 2030-31. Measures to balance the budget of £8m have been identified for 2026-27, reducing the budget gap to £6.2m, whilst 2030-31 has identified measures of £27.4m to balance the budget, which are based on an indicative council tax increase of 5%, and before any other measures are presented for decision in February 2026 (such as Policy savings options).</p>

Financial sustainability (continued)

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	Financial sustainability (continued)	<p>Results of our work (continued)</p> <p>Under the best-case scenario, a budget gap of £1.4m is predicted in 2026-27, rising to £7.8m over the five-year period. The Council have noted that this is a difficult outlook for them to face, and any variations in assumptions (especially Scottish Government grant funding) would have a major impact.</p> <p>We have also reviewed the Council's revenue budget monitoring report, which was taken to the Council in June 2025. This shows that performance against budget for 2024-25 was an underspend of £1.905m, which was 0.6% of the net budget for the year (note that this was after accounting for automatic earmarking, plus two earmarkings approved as part of the 2025-25 budget setting). In terms of performance against budget, departmental controllable expenditure was £2.2m over budget - this was primarily due to overspends in relation to increases in bus contracts for school/public transport, increased winter maintenance costs and a saving unachieved in the year relating to a RIS review. There were also significant costs incurred (£0.79m) in terms of Storm Darragh, which occurred in December 2024. This overspend was offset by an underspend on Council Central costs (mainly due to a big underspend of £3.3m against budget on the Loans Fund), and a net over recovery of income of £1.2m in relation to Council Tax performance.</p> <p>In 2024-25, the General Fund balance decreased by £3.04m, to £112.7m (2023-24 - £115.7m). The decrease was primarily due to funds earmarked for specific purposes used during the 2024-25 financial period (£26.5m), although this was partially offset by the underspend in 2024-25 (£1.9m), earmarking previously agreed and created during the year (£13.3m), and new automatic earmarking at the end of 2024-25 (£8.3m).</p>

Financial sustainability (continued)

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	Financial sustainability (continued)	<p>Results of our work (continued)</p> <p>In terms of reporting to members in relation to financial performance, this is done on a regular basis, primarily through the Policy and Resources Committee. Financial monitoring reports are presented on a bi-monthly basis for revenue, risks and reserves, and on a quarterly basis for capital and treasury. The most recent report was presented in December 2025 and covers the six-month period to October 2025. The initial revenue budget for 2026-27 included the delivery of savings options throughout the year, totalling £2.8m. There are 15 options which impact on 2025-26 - 8 of which have been delivered (£1.4m), whilst the remaining 7 (£1.4m) are on track to be delivered. A detailed breakdown of these has been provided, outlining the approved savings options (which were approved in February 2025), and tracking progress against each one, noting the future year potential recurring savings as well.</p> <p>Whilst challenges remain, and we will continue to monitor arrangements in future years, we have concluded that the arrangements described above mitigate the financial sustainability risk.</p>

Financial sustainability (continued)

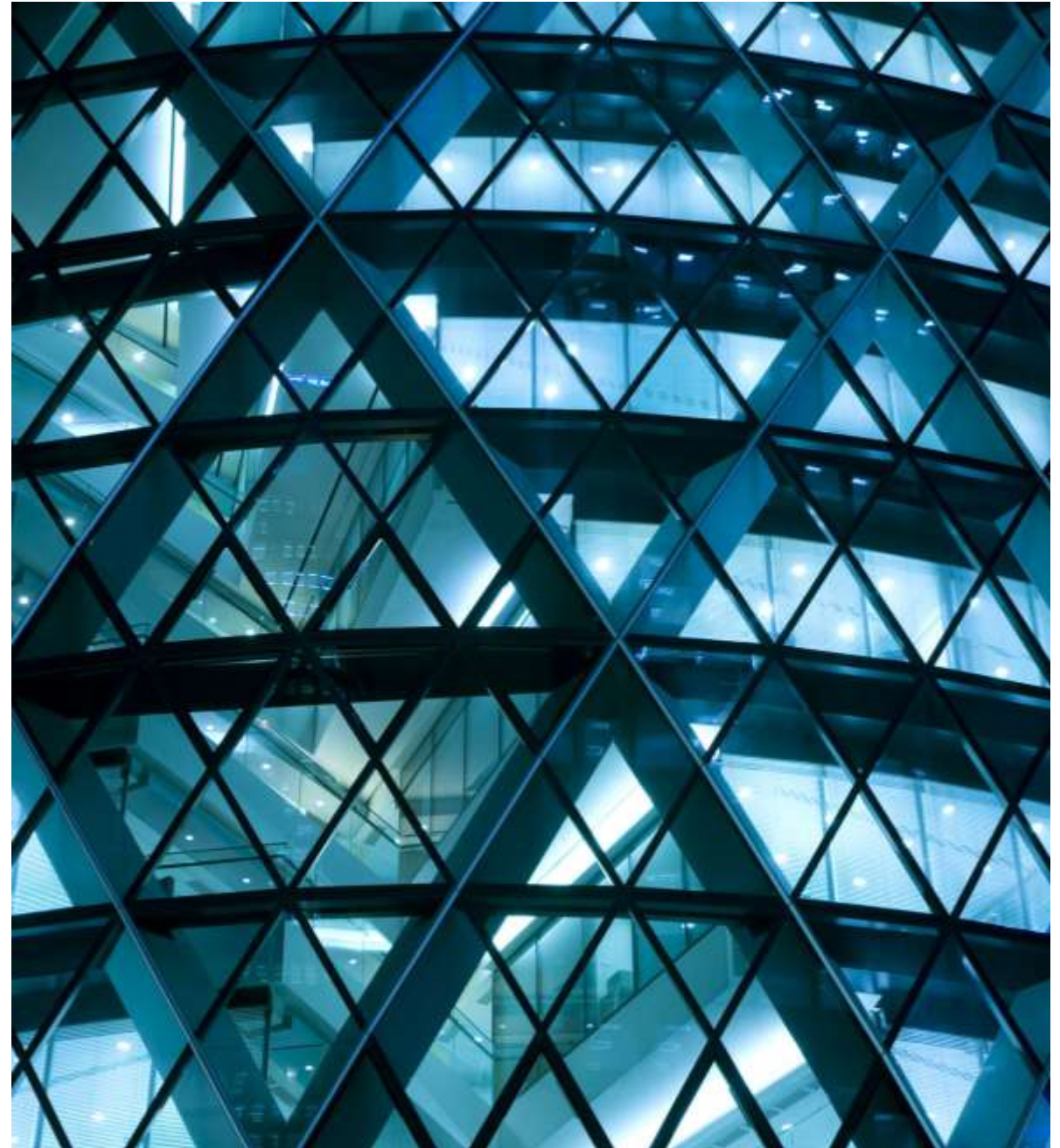
Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Financial planning	<p>There are several papers which have been presented to the Policy and Resources Committee in 2025. These include the Medium-Term Financial Plan (titled Budget Outlook 2026-27 to 2030-31') presented in December 2025. The Council also produces formal financial monitoring reports, which cover revenue, capital, reserves, and any associated risks. As noted earlier, financial monitoring reports are presented on a bi-monthly basis for revenue, risks and reserves, and on a quarterly basis for capital and treasury. We have reviewed these reports as part of our review minutes. The most recent update was taken to the December 2025 Committee and covers the financial year up to October 2025.</p> <p>The updated Budget Outlook paper projects the following cumulative budget gap (based on a mid-range scenario):</p> <ul style="list-style-type: none"> - 2026-27: £14.2m - 2027-28: £29.8m - 2028-29: £38.9m - 2029-30: £48.6m - 2030-31: £58.5m <p>The main budget pressures identified are in relation to pay awards/staff costs (noting that staffing costs are a significant part of the Council's budget, and even small increases have a major impact), inflationary pressures, the rising costs of energy and utilities, rising demand in social care services, and severe weather/climate events. The Council is taking several actions to mitigate the budget gap - these include streamlining services to increase recurring savings, increasing fees and charges, using reserves carefully (i.e. for short term issues, rather than for longer term gaps), and using the Council's risk matrix to assess and prioritise any mitigating actions. An increase of 9.9% in council tax was also approved in February 2025.</p> <p>In terms of the Council's capital programme, forecast gross expenditure is £212.3m, against an approved budget of £212.1m, showing a forecast overspend of £0.2m. The report lists progress against the physical delivery of the capital programme (i.e. how many projects are on track, and how many projects are off track) and considers proposed budget changes. Risks against the capital plan are also considered - for example, concerns about the uncertainty of future capital receipts, supply chain disruptions, and inflationary pressures.</p>	<p>The Council have effective financial planning measures in place and are conscious of the challenging financial position that the Council faces in future years.</p>	<p>No significant risks 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 (continued)

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>Clarity of the strategy, priorities and plans to implement the vision</p> <p>The Council's Strategic Plan 2023/2027, also known as the Corporate Plan, outlines the vision and key commitments for the Council. During the previous year's audit, we noted that the Strategic Plan and other key policy documents were being revised due to a change in administration, with an updated Strategy and other key policy documents scheduled for publication in March 2025.</p> <p>We therefore consider there to be a risk that these strategic documents may be inconsistent with other related policy documents, potentially impacting the clarity of the Council's vision and implementation of the administration's policies.</p>	<p>Work undertaken</p> <p>We reviewed:</p> <ul style="list-style-type: none"> - the Council's progress in implementing its revised Corporate Plan and other key policy documents; - considered how the Council's revised Corporate Plan maintains clarity of vision, and how changes are communicated; and - how the Council ensures alignment between the Corporate Plan and other key Council strategies, such as the medium-term financial plan and corporate savings plan). <p>Results of our work</p> <p>The Council presented their revised Corporate Plan in May 2025, for consideration and approval to go to the full Council. We have noted that the Corporate Plan refers to an annual business plan for 2025-26 (which is intended to set out deliverables and monitor performance against strategic outcomes), but as noted in the December 2025 Audit and Scrutiny Committee, this has still not been produced and presented to the Council. The revised Corporate Plan is available for the public to view on the Council's website.</p>

Vision, leadership and governance (continued)

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	Clarity of the strategy, priorities and plans to implement the vision (continued)	<p>Results of our work (continued)</p> <p>We have considered the updated Corporate Plan (2025-27) against the older version (Corporate Plan 2023-27), which had been approved by the Council in June 2023. There is a bigger emphasis on transformation throughout the revised version, which identifies that the Council needs to increase their transformation activity to address financial sustainability concerns. In terms of key priorities, the revised plan has seven corporate priorities (relating to communities, children, environment, speaking up for Argyll and Bute, sustainability, transport/infrastructure, and housing), and they are similar to those in the original version, but again there is a greater emphasis on sustainability and transformation. In particular, the corporate priority relating to sustainability details the more specific priorities that the Council has, with one of the key points being that the Council wants to provide the best services they can with the money they have available. Action steps linked to this include making the most of new digital technologies, such as artificial intelligence.</p> <p>The revised plan is also supplemented by underpinning principles called Connect for Success. This model has been designed around seven principles (One Council One Place One Approach, Purpose and Mission Focus, Employee empowerment, Data and evidence driven decision-making, Learning Council, Agile, and Maximise opportunities that technology offers). These principles are very much linked to the Corporate Plan itself - for example, maximising the opportunities that technology offers ties into the transformation activities that are embedded within it.</p>

Vision, leadership and governance (continued)

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>Clarity of the strategy, priorities and plans to implement the vision (continued)</p>	<p>Results of our work (continued) The Council have also produced a Corporate Improvement Plan Action Plan 2025-28. This has specific outcomes linked to key areas (transformation, performance, community engagement, finance, and leadership and workforce) - for example, under transformation, one of the outcomes is about identifying opportunities to resolve data challenges through the production of Power BI reports, to support the Connect for Success principle relating to data and evidence driven decision-making. Each outcome is supported by success measures (for example - increasing available Power BI reports by 6 per quarter), with a people/department lead and target date also attached. Most of these outcomes have target dates in 2026, with a few in 2027.</p> <p>Based on the work performed, we believe this risk has been addressed, although we have raised a recommendation in terms of effective performance management, which is linked to the revised Corporate Plan. Please see page 66 for more detail.</p>

Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Significant risks identified
Governance arrangements	<p>The Council's governance arrangements are in line with the Local Code of Corporate Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE revised framework for 'Delivering Good Governance in Local Government'. The Council publishes an Annual Governance Statement as part of their annual accounts. There is also a Council Constitution, which is available on the Council's website, and was last updated in February 2025 - this covers standing orders, financial regulations, the scheme of administration and delegation, and ethical framework that the Council works with.</p> <p>In terms of oversight, the Council has various committees - these include Policy and Resources, Development and infrastructure, Community Services, and Audit and Scrutiny. In particular, the Audit and Scrutiny committee provides an independent appraisal and scrutiny of the Council's governance arrangements. Through our review of minutes and attendance at the Audit and Scrutiny Committee, we have observed effective challenge from members. The Council meetings are well attended and are open to the public. Minutes of these meetings can also be viewed on the Council's website.</p>	The Council's governance arrangements are appropriate and allow effective scrutiny and challenge.	No significant risks identified.

Vision, leadership and governance (continued)

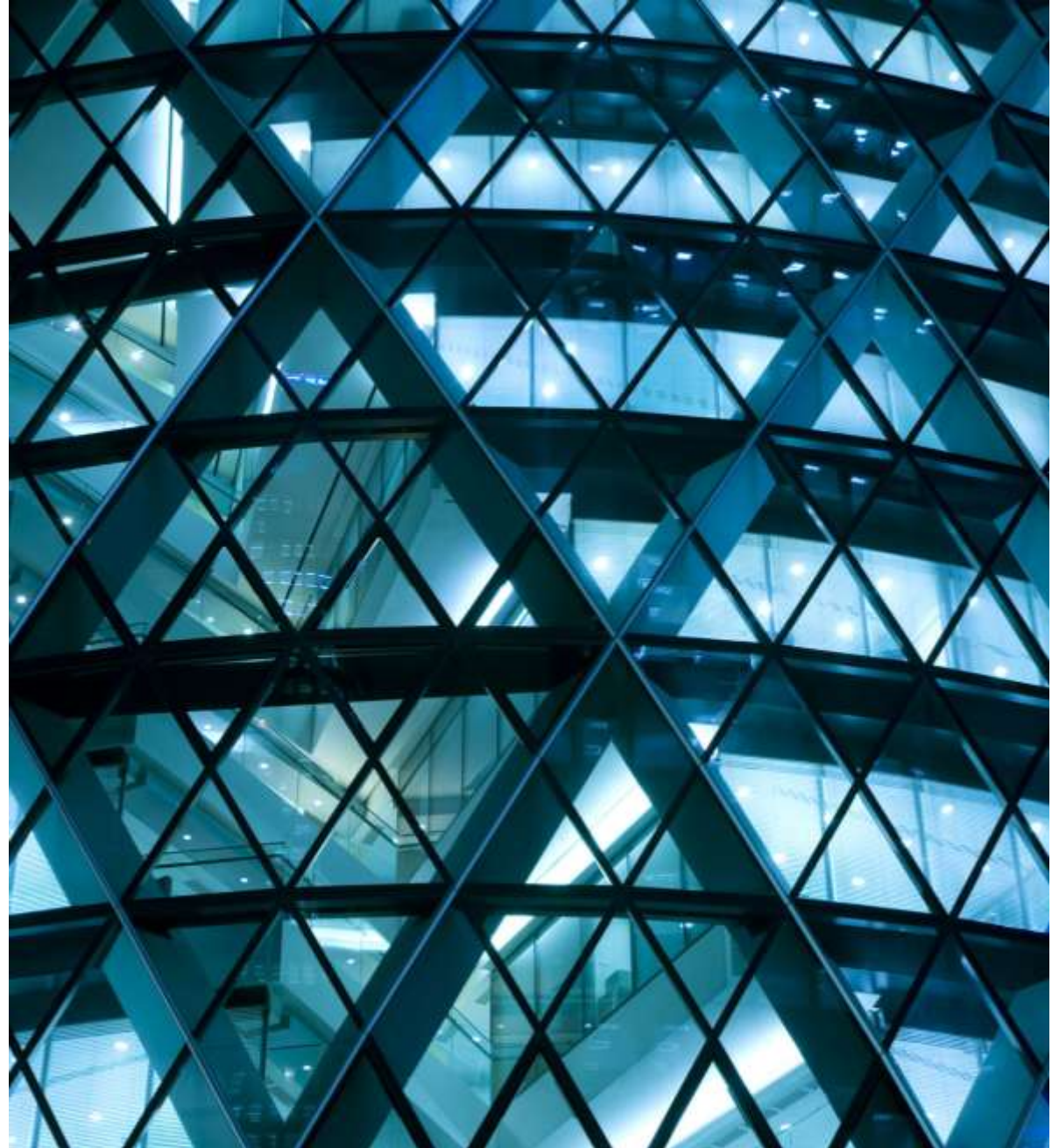
Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Significant risks identified
Financial and performance information	<p>Regular financial monitoring reports are presented to the Policy and Resources Committee. Reports are presented on a bi-monthly basis for revenue, risks and reserves, and on a quarterly basis for capital and treasury. These reports are sufficiently detailed, and cover updates on the revenue budget, capital programme, reserves position and any associated financial risks, and the mitigating actions the Council has in place to address these.</p> <p>In terms of performance, the Council publishes an Annual Report each year, which is available to the public. The purpose of this report is to demonstrate how the Council has delivered its services throughout the year and progressed against its corporate priorities. It also considers the financial position of the Council. The 2024/25 Annual Report was published in October 2025, and is comprehensive - it contains each corporate outcome, which is split into separate corporate outcome indicators. Each indicator has a target attached, and the Council's progress against this is tracked via numerical and written data, with historical performance data also included, alongside commentary where relevant.</p>	The Council's arrangements for reporting financial and performance information to board and committees is conducted effectively.	No significant risks identified.

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 (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Resources deployed to improve strategic outcomes	<p>The Council's Annual Report for 24/25 demonstrates that their performance has improved in 2024/25. In terms of the corporate outcome indicators (of which there are 47 in total), 17 are on track or above target, 10 are off track, under target or have no data, and 20 have no target attached. The Annual Report also considers the Council's performance against the Local Government Benchmarking Framework (LGBF). In 2024/25 - 60% of Argyll and Bute Council's indicators were in quartiles 1 and 2 (performance above the Scottish average), whilst only 46% were in these quartiles in 2023-24.</p> <p>Service highlights include care services (where 84.2% of care services were graded as good or better in Care Inspectorate inspections - considerably higher than the Scottish average of 81.9%), street cleanliness (80%, which is significantly higher than the nationally recognised pass rate of 67%), and waste management (achieving 68.3%, compared to the target of 45%). Lower performing indicators are in terms of geographical coverage of 4G/5G mobile connectivity (89% against the target of 95%), percentage of children achieving appropriate development milestones by Primary 1 (61% against a target of 70%), and distribution of the Discretionary Housing Payment (DHP) fund (89.2% distributed, against a target of 96%). For those areas which are not meeting their targets, action points/plans have been raised within the Annual Report where relevant.</p>	The Council have effectively deployed resources to improve strategic outcomes.	No significant risks identified.

Use of resources to improve outcomes (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
Needs of service users being met	<p>In January and February 2025, the Council ran a high-level survey, where they asked residents of Argyll and Bute what their priorities were in terms of the services that the Council provides. Feedback was received from 871 residents, and there were almost 2,000 comments from the respondents. Residents noted waste management, public transport and roads as being the services that they used most, whilst roads, waste management and early education were raised as the areas that are most important for overall wellbeing. The survey also gathered views around paying more for local services and asked for suggestions in terms of improving services. This demonstrates that the Council considers the needs of their service users whilst prioritising spend on services.</p> <p>The Council's updated Corporate Plan for 2025-27 also evidences that the needs of service users are considered in terms of future planning. For example, there are priorities relating to developing school curriculums with jobs of the future in mind (i.e. ensuring young people are gaining the necessary skillset to develop a career in the area), transport (designing a new Transport Strategy to improve connectivity), and goals around environment and sustainability (consideration of waste policies in terms of cutting carbon emissions). The updated Corporate Plan demonstrates that service user feedback has been considered.</p>	The Council considers the needs of service users and aligns its planning priorities with these needs.	No significant risks identified.

Use of resources to improve outcomes (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Significant risks identified
<p>Arrangements to deliver continuous improvements in priority services</p>	<p>The Council's updated Corporate Plan 2025-27 was presented to the Policy and Resources Committee in May 2025. The plan was updated due to a change in administration. This clearly sets out the Council's seven priority areas as follows:</p> <ul style="list-style-type: none"> - Communities - Children and young people - Environment - Speaking up for Argyll and Bute - Sustainable service delivery - Transport, infrastructure and digital connectivity - Housing, economic growth and population <p>Each corporate priority is then broken down into smaller, specific priorities (for example, under 'Children and young people', one of the priorities is 'Develop our school curriculums with the jobs of the future in mind'. Each of these specific priorities have next steps/action plans noted in the plan. The plan also states that the Council will produce an annual Business Plan where they set out deliverables and monitor performance against these strategic plans. We have noted that per the minutes from the Audit and Scrutiny Committee in December 2025, an Annual Business Plan for 2025/26 has not yet been completed and presented. An update of the outcomes from the 2024/25 Business Plan was presented to the Council in November 2025.</p>	<p>The Council have arrangements in place to deliver continuous improvements in priority services, although we have noted that they have still not produced an Annual Business Plan for 2025/26.</p>	<p>No significant risks identified.</p>

08

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 2024/25 this will be about transformation. The Council is included in the third year of the programme which runs from October 2025 to August 2026. We have prepared a separate management report to document the findings of this work.

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 second year of the programme which runs from October 2024 to August 2025.

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	Possible significant risks?	Significant risks identified?	Other recommendations made?	Overall conclusion
Best Value	59	No	No	No	Satisfactory.
Thematic reviews	69	Yes	No	Yes	We have made 3 Level 2 recommendations. Otherwise, overall conclusion is satisfactory.

Best Value (continued)

Our overall assessment

Area assessed	Our findings	Our judgements	Service improvement considerations	Significant risks identified
Vision and leadership	<p>As part of our Wider Scope work, we have considered:</p> <ul style="list-style-type: none"> • The Council’s revised Corporate Plan, how the vision has evolved and how it aligns with other strategies. • The Connect for Success operating model. • Evidence of continuous improvement and transformation. <p>Please see page 47.</p>	<p>The Council has revised their Corporate Plan, which has a clearer focus on transformation, and is underpinned by the Connect for Success principles. Whilst the Council has a clear strategic direction, it is still in the earlier stages. This will be further refined once their Annual Business Plan for 2025/26 is produced.</p>	<p>None identified.</p>	<p>No significant risks identified.</p>
Governance and accountability	<p>As part of our Wider Scope work, we have considered:</p> <ul style="list-style-type: none"> • Governance arrangements, including oversight via various committees, and disclosures per the Annual Governance statement. Please see page 50. • Financial management – please see page 37. 	<p>The Council has strong governance arrangements in place, and we have found evidence of scrutiny, challenge and effective decision making from attendance at Audit Committees and review of minutes from Council meetings.</p>	<p>None identified.</p>	<p>No significant risks identified.</p>

Best Value (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Service improvement considerations	Significant risks identified
Effective use of resources	<p>As part of our Wider Scope work, we have considered:</p> <ul style="list-style-type: none"> Financial management – including medium term financial planning, treasury management and monitoring of financial risks. Please see page 37. Financial sustainability – which considers whether resources are being used effectively over the medium and longer term. Please see page 42. 	<p>The Council has an effective culture in terms of financial management, with risk management incorporated within, and good arrangements in terms of financial monitoring and accountability. In terms of financial sustainability, the financial outlook is challenging, but the Council understands the difficult position and is making appropriate arrangements to address this.</p>	None identified.	No significant risks identified.
Partnerships and collaborative working	<p>As part of our Best Value Thematic Report work, we have considered:</p> <ul style="list-style-type: none"> How the Council is working with other bodies to deliver transformational changes. Whether there are any funding arrangements between the Council and partners for ongoing projects. <p>Please see page 69 for more detail.</p>	<p>The Council has worked with other bodies to deliver change (for example, they have a significant joint funding agreement with the Scottish/UK Government via the Rural Growth Deal). They are also considering a Single Authority Model, which would involve collaborating with other bodies (such as NHS Highland), although this is still in early stages.</p>	None identified.	No significant risks identified.

Best Value (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Service improvement considerations	Significant risks identified
Working with communities	<p>As part of our Wider Scope work, we have considered:</p> <ul style="list-style-type: none"> The needs of service users, and how the Council considers the needs of communities in their plans. Please see page 54. <p>As part of our Best Value Thematic Report work, we have considered:</p> <ul style="list-style-type: none"> How the Council has engaged with communities in transformation projects. Please see page 69. 	The Council has demonstrated effective engagement with communities (through means such as the resident survey), and this feeds into their strategic priorities.	None identified.	No significant issues identified.
Sustainability	We did not assess this theme in 2023/24.	N/A	N/A	N/A

Best Value (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Service improvement considerations	Significant risks identified
Fairness and equality	<p>As part of our Best Value Thematic Report work, we have considered:</p> <ul style="list-style-type: none"> • How the Council is uses Integrated Impact Assessments to inform their transformation plans. <p>Please see page 69 for more detail.</p>	<p>The Council uses Integrated Impact Assessments to ensure transformation proposals consider equality issues (such as socio-economic impacts and consumer duty).</p>	<p>None identified.</p>	<p>No significant issues identified.</p>

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).

Best Value (continued)

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>Effective performance management We recommend that the Council ensure the revised Corporate Plan includes Key Performance Indicators (KPIs). These KPIs will help assess Council performance, addressing the risk that performance may not be effectively monitored.</p> <p>In 2023/24, we reported that the Council's Corporate Improvement Plan (CIP) concluded in 2022, and the Council intended to publish an updated CIP in 2024/25. Consequently, we identified a risk that the Council might not track progress in achieving its Connect for Success objectives. We therefore recommended that the Council updated its CIP to ensure alignment with other key strategies and plans, including its workforce plan.</p>	<p>Work undertaken We have:</p> <ul style="list-style-type: none"> • Reviewed the KPI/performance metrics used by the Council, and how these align with the Corporate Plan. • Reviewed the appropriateness of KPIs. • Reviewed the Council's updated Corporate Improvement Plan and alignment with other key strategic documents and understood the Council's arrangements to monitor and deliver this. <p>Results of our work Please see the 'Vision, leadership and governance' section of our Wider Scope work, where new have reviewed the Council's updated Corporate Improvement Plan and alignment with other key documents (such as the Medium-Term Financial Plan).</p> <p>Performance reports are presented on a quarterly basis for the four main areas (Bute and Cowal, Helensburgh and Lomond, Mid Argyll, and Oban, Lorn and the Isles). To date in the 2025/26 financial year, updates have been presented for financial quarter 1 and financial quarter 2. These reports are structured around the Council's seven corporate priorities, and track progress against each specific outcome. Outcomes have their progress tracked against historical trends/targets, and a supporting commentary is also provided. We have noted that some of the outcomes do not have specific targets as such (for example, the number of dog fouling complaints, although historical data is also provided to track improvements).</p>

Best Value (continued)

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	Effective performance management (continued)	<p>Results of our work</p> <p>The outcomes are based on the Council's Corporate Plan 2022-2027, although a revised Corporate Plan has subsequently been produced (2025-27). Thus, the Corporate Outcomes still need to be revised to be fully aligned with the updated Corporate Plan. The revised Corporate Plan incorporates the 7 key principles of Connect for Success (maximising technology, agility, one Council, one place, purpose and mission focus, empowerment, learning Council, and data and evidence driven).</p> <p>We recommend that the Council's outcomes are fully aligned with the updated Corporate Plan and have specific targets which can be tracked.</p> <p>The Council uses a Performance Improvement Framework to ensure that it delivers upon its strategic priorities and ensures that the Council delivers Best Value. We have noted that the most recent Performance Improvement Framework on the Council's website is from 2019, and that the Council's approach to performance management and reporting is under review. We recommend that an updated copy of this is published on the Council's website.</p> <p>We have raised a recommendation in relation to this – please see the next page.</p>

Best Value (continued)

Identified risks in use of resources to improve outcomes arrangements and recommendations for improvement

As a result of our work we have identified risks in the Council's Best Value arrangements. These identified risks have been outlined in the table below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action; see Appendix F for further details.

	Best Value risks identified	Recommendation for improvement	Council s response and implementation timescale
1	<p>Effective Performance Management – Level 2</p> <p>There is a risk that the Council's performance management and reporting arrangements may not be fully effective if the Corporate Outcomes are not fully aligned with the revised Corporate Plan. The Performance Improvement Framework has also not been updated for several years. If not addressed, the Council might struggle to monitor and report progress against its strategic priorities.</p>	<p>The Council should update its corporate outcomes, so they are fully aligned with the revised Corporate Plan, following the change in administration. Each outcome should include a measurable target to enhance performance monitoring. The Council should also ensure their Performance Improvement Framework is fully updated.</p>	<p>Management's response</p> <p>The Council is aligning revised Corporate Outcomes with the updated Corporate Plan and strengthening performance monitoring, with an updated Performance Improvement Framework to be published. This will ensure clearer targets, improved reporting and full alignment of strategic priorities across our planning and performance processes.</p> <p>Responsible officer Head of Customer Support Services</p> <p>Implementation date By 31st March 2027</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	Significant risks identified
Improvement plans	<p>The Council produce an Annual Report each year. The aim of this report is to present to the public an overview of the Council's performance against its Corporate Plan priorities, and to highlight the Council's achievements, ongoing challenges and financial performance for the year. This report incorporates Local Government Benchmarking Framework (LGBF) data, so the Council can compare and track its performance against other Scottish authorities. In 2024/25, 60% of the Council's indicators were in quartiles 1 and 2, meaning their performance is above the Scottish average. The Council's internal auditors completed verification work on the data that was returned to the LGBF and offered a substantial level of assurance for all indicators reviewed. This was presented to the Audit and Risk Committee in September 2025</p> <p>The Annual Report notes that there are improvement plans in key areas of under-performance (such as financial sustainability, housing and care services).</p>	<p>The Council's Annual Report demonstrates that they are making improvements in various areas, and there are action plans in place for those areas that are underperforming. As noted earlier, the outcomes are still aligned with the older Corporate Plan and should be updated in line with the Council's revised documents.</p>	<p>Whilst the Council is addressing underperformance, its outcomes need to be revised in line with the updated Corporate Plan.</p>	<p>No additional significant risks identified.</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	Significant risks identified
Improvement plans (continued)	<p>As an example - some care services have been graded as below "good" by the Care Inspectorate. The Council has an improvement plan in place (recruitment for more staff, more workforce training), and progress against this is measured by Care Inspectorate re-inspections and oversight from the Integration Joint Board committee.</p> <p>As noted earlier, the Corporate Outcomes included per the Annual Report are based on the older version of the Corporate Plan (2022-2027) – a new plan (2025-27) has subsequently been produced.</p>	(See previous page).	(See previous page).	(See previous page).

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 2024/25, we are required to carry out an overview of transformation. As part of this review, we are required to report on the areas documented in the table below.

Thematic themes	Our findings	Our judgements	Significant risks identified
Transformation planning	The Council has built transformation into its core plans and budget approach, and a wide range of programmes are underway to help modernise services and address financial pressures. However, several key elements, including the overarching Transformation Strategy, are still at an early stage, so it is not yet possible to demonstrate their full impact.	The Council is being proactive in terms of taking steps to embed transformation into its strategic plans and should ensure their overarching Transformation Strategy has been completed by March 2026.	As part of our Thematic Report on Transformation, we have raised the following recommendation: The Council has not yet produced a Transformation Strategy – Level 2 The Council should ensure their overarching Transformation Strategy is produced by their target date of March 2026 and is followed by a costed action plan.
Programme management	The Council is developing a Programme Management Office for transformation activity, although a short life working group has been appraising different options, Transformation projects are generally monitored via strategic committees, or through programme boards and senior management teams. Capacity and specialist skills are ongoing challenges in term of resourcing transformation projects , with a recent employee survey noting that managers leading change are under workload pressures.	The Council should consider operating a Programme Management Office to monitor their transformation activity. They should also ensure they have sufficient resources and capacity to fulfil transformation projects.	As part of our Thematic Report on Transformation, we have raised the following recommendations: The Council does not have a fully operational Programme Management Office for their transformation activity – Level 2 The Council should consider the creation of a Programme Management Office to manage Transformation and other major projects. This will ensure oversight and increase the pace of change.

Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Significant risks identified
Programme management (continued)	(See previous page).	(See previous page).	The Council is facing challenges in terms of resourcing their transformation programmes effectively – Level 2 The Council should ensure appropriate resource and capacity to deliver transformation projects.

Best Value (continued)

Thematic reviews (continued)

Thematic themes	Our findings	Our judgements	Significant risks identified
Partnership working and community engagement	<p>The Council has worked with partners on several major initiatives (such as the 'Our Modern Workspaces' project) and is in the early stages of exploring a potential Single Authority Model, which could offer a more streamlined structure incorporating NHS Highland, the Scottish Government and other key partners. Whilst the ongoing Rural Growth Deal project demonstrates major partnership investment, this is more 'investment focused' in nature, rather than focusing on delivering savings. The Council is still developing their Transformation Strategy, which is due to be completed by March 2026.</p>	<p>The Council is actively engaging with partnership working and community engagement where possible.</p>	<p>We have not identified any significant risks in this section.</p>
Impact of transformation	<p>The Council's new Corporate Improvement Plan lists priorities in relation to transformation, such as embedding the 'Scottish Approach to Service Design' and expanding the use of artificial intelligence technology. However, many of these targets are set for 2026 and beyond, which means it is still too early to fully assess the impact of these actions. We have noted that the Council uses Integrated Impact Assessments to ensure that equality is considered when putting together transformation proposals.</p>	<p>The Council has good processes for assessing equality impacts. We have reviewed a case study for the 'Our Modern Workspace' project, which demonstrated a positive impact on communities. A lot of the Council's other transformation plans are still in earlier stages, so it is too early to assess the full impact that they have had.</p>	<p>We have not identified any significant risks in this section.</p>

Best Value (continued)

Follow up of previously-reported recommendations

We are required to follow up findings from our thematic reviews in the previous years.

In December 2024, we reported 6 recommendations to the Council to address risks identified from our thematic review. As part of our work in 2024/25, we followed up the progress made by the Council against the recommendations made, and determined whether the risks remained during the year.

	Thematic review finding as previously reported	Management response and implementation timeframe	Work undertaken and judgements made in 2024/25	Conclusions reached
1	<p>Workforce Data and IT Systems</p> <p>The Council has identified it could make better use of the data available to inform is workforce planning and is currently replacing its exiting HR and Payroll system.</p>	<p>Management Response: The key outcome here is to ensure the council is able to easily track vacancies. We will actively engage with our software supplier and will explore all options in ensuring the council can report on this important metric.</p> <p>Implementation timescale: September 2025</p>	<p>Progress against the recommendation:</p> <p>The Council has engaged with a software supplier, and they have had an initial assessment carried out. The findings from this noted that it is not straightforward to maintain records of vacancies within the configuration of the new HR and payroll system. The issue will be reviewed and a solution sought when the new recruitment/onboarding functionality is live. The work package for this has been rescheduled by the Project Board for completion by the end of March 2026.</p>	<p>Conclusions</p> <p>We have noted that the response to this recommendation is still ongoing, and we will review the updates as part of our work in 2025/26.</p>
2	<p>Integrating New Strategic Plans</p> <p>The new Council administration is bringing an updated Corporate Plan and strategic frameworks into effect from 2024/25. Existing Workforce Plans and People Strategy objectives are to be achieved by 2028 and may need to be revisited.</p>	<p>Management Response: The people strategy and strategic workforce plan will be reviewed annually.</p> <p>Implementation timescale: June 2025</p>	<p>Progress against the recommendation</p> <p>The first annual progress report was submitted to Head of Customer Support Services in December 2025 for management scrutiny. We have reviewed this progress report, and it contains detail on performance highlights, achievements, key challenges for the future, upcoming milestones, and progress against Key Performance Indicators (such as turnover rate and average time to hire).</p>	<p>Conclusions</p> <p>Recommendation has been addressed – satisfactory.</p>

Best Value (continued)

	Thematic review finding as previously reported	Management response and implementation timeframe	Work undertaken and judgements made in 2024/25	Conclusions reached
3	<p>Review of Flexible Working Policy The Council is currently in the process of updating aspects of its operational activities to accommodate the hybrid working style. This is based on a newly introduced Flexible and Hybrid Working policy which is yet to be reviewed.</p>	<p>Management Response: Impact measures for the flexible and hybrid working policy are set out in section 10 of the policy document. These will be monitored and reported regularly.</p> <p>Implementation timescale: June 2025</p>	<p>Progress against the recommendation</p> <p>This action has been completed, and report presented to the Strategic Management Team. We have reviewed the report, which notes that the Council’s flexible working policy is valued by employees, and there is minimal evidence that flexible working influences recruitment or staff leaving. Recommendations in the report include the need for clearer processes, and stronger promotion of the flexible working policy during recruitment.</p>	<p>Conclusions</p> <p>Recommendation has been addressed – satisfactory.</p>
4	<p>Workforce skills and Capacity KPIs</p> <p>The Council is yet to perform comprehensive reviews and assessments to determine cost savings and benefits of its workforce measures. There is a lack of clear KPI’s that would allow management to continually monitor savings and other benefits from workforce skill and capacity measures.</p>	<p>Management’s response: KPIs for Agile working will be identified in the project documentation. General KPIs for Strategic Workforce plan and People Strategy will be included in the first annual review (outlined above)</p> <p>Implementation timescale: June 2025</p>	<p>Progress against the recommendation</p> <p>KPIs (Key Performance Indicators) have been included in the project documentation for the Agile project. People Strategy KPIs have been set out in the review document, and the Council will continue to monitor these on an annual basis.</p>	<p>Conclusions</p> <p>Recommendation has been addressed – satisfactory.</p>

Best Value (continued)

	Thematic review finding as previously reported	Management response and implementation timeframe	Work undertaken and judgements made in 2024/25	Conclusions reached
5	<p>Agile Project implementation</p> <p>The Agile Working framework is still at its inception stage, with a project Initiation document laying out aims and objectives along with Success measures. However, there was limited mention of how these objectives will be achieved, and SMART targets are yet to be agreed.</p>	<p>Management’s response: Objectives and Actions for Agile Project will be reviewed and agreed with ELT</p> <p>Implementation timescale: April 2025</p>	<p>Progress against the recommendation</p> <p>Initial goals and actions have been agreed with the ELT (Executive Leadership Team). Benchmarking has been undertaken in relation to generic job descriptions for admin/project roles.</p>	<p>Conclusions</p> <p>Recommendation has been addressed – satisfactory.</p>
6	<p>Workforce Monitoring</p> <p>The Council has several reviews lined up which are targeted for completion within the 24/25 Financial year, looking at Workforce Planning measures and other projects which have recently been implemented.</p>	<p>Management’s response: The HR and OD manager will provide a 6 monthly progress report on actions within the workplan specifically linked to workforce planning or people strategy actions.</p> <p>Implementation timescale: September 2025</p>	<p>Progress against the recommendation</p> <p>A monthly highlight report is presented to the Head of Customer Support Services, and this includes updates on priority actions linked to the People Strategy and Strategic Workforce plan. Progress reporting will be added to the service quarterly reporting dashboard by 31/03/2026.</p>	<p>Conclusions</p> <p>We have noted that the response to this recommendation is still ongoing, and we will review the Council’s progress reporting implementation as part of our work in 2025/26.</p>

Best Value (continued)

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>Agency staff costs In 2023/24, we reported that workforce trends outlined in the Strategic Workforce Planning Priorities indicated that temporary and casual staff increased to approximately 16% of the workforce. We therefore highlighted a risk that high turnover of staff and reliance on agency recruitment may result in increased costs and diminished service quality.</p>	<p>Work undertaken</p> <p>We performed the following work:</p> <ul style="list-style-type: none"> • Updated our understanding of the Council’s arrangements for monitoring and reporting the impact of high turnover of staff, and agency staff. • Updated our understanding of the strategies and plans the Council has implemented to mitigate the risks associated with the current turnover levels. <p>Results of our work</p> <p>The Council’s spend on agency staff is monitored via their financial monitoring reports, which are taken to the Policy and Resources Committee. These show actual employee costs against budgeted employee costs, and the reasons for these variances. Where agency staff have been used to cover vacancies, this has been explained. These reports also include key financial challenges, and agency staff costs are mentioned within this. For example, the October 2025 financial monitoring report states that spend on agency staff to support Social Work is a key challenge, due to recruitment and retention challenges. It is evident that agency staff costs are still creating pressure for the Council, but these are being actively monitored. The financial monitoring reports also contain proposed actions to address financial challenges. In terms of agency staff costs (for Social Work), the Council have stated that they intend to utilise their close working relationship with the Health and Social Care Partnership to support the costing of a plan to stabilise the service. This also includes an exit plan from the reliance on agency staff.</p>

Best Value (continued)

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	Agency staff costs (continued)	<p>Results of our work</p> <p>For social work (which is the main area impacted by agency staff costs), the workforce is monitored through reports produced by Argyll and Bute Integration Joint Board (which is one of the Council's joint ventures, with NHS Highland). These reports contain detailed data covering current headcounts, turnover levels, vacancy levels and detail around appraisals and training. This demonstrates that there are systems in place for collecting and reviewing workforce data. The data relating to appraisals (in the Council, these are less formalised and known as 'quality conversations') and training is notable, as these conversations allow employees and managers to discuss goals and learning/development needs. The aim of these conversations is to enhance employee satisfaction, which ultimately should lead to smaller turnover rates.</p> <p>Whilst agency staff are used to maintain safe staffing levels, the Council/Integration Joint Board have noted this is not a long-term solution. The evidence we have reviewed above demonstrates that the Council are aware of this, are actively tracking their staff data, and are identifying ways to decrease staff turnover and reliance on agency staff.</p>

Best Value (continued)

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>Workforce Strategy In 2023/24, we reported that the Council had implemented a new people strategy and strategic workforce plan, extending to 2028. We identified a risk that the Council's strategic workforce plans may not be aligned with the updated Corporate Plan and other key strategies, including the MTFP. There is a risk that workforce planning does not align with other strategic plans, including the MTFP.</p>	<p>Work undertaken</p> <p>We performed the following work:</p> <ul style="list-style-type: none"> • Reviewed Council's strategic workforce plan to understand alignment with other strategic documents. • Considered key assumptions used in developing plan. • Update understanding of how updates to workforce strategy inform budget reporting. <p>Results of our work</p> <p>We have reviewed the Council's updated Corporate Plan 2025-27 and compared this against the Strategic Workforce Planning Priorities for 2024-28, alongside other key strategic documents. Although the Workforce Planning was produced before the updated Corporate Plan (following a change in administration), the two documents show alignment. Workforce priorities are a key part of the Council's transformation agenda, and ensuring the Council's transformation activities can be resourced efficiently. The Workforce Strategy is also aligned and underpinned by the principles of the Council's Connect for Success People Strategy. This presents key themes in relation to people, including attracting and keeping talented people, providing a positive employee experience, supporting learning and growth, and championing change and innovation. Each of these themes has a more detailed explanation and list of commitments over the life of the strategy, and is also linked to the relevant overarching Connect for Success theme (such as Purpose and Mission, Empowerment etc.)</p>

Best Value (continued)

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>Workforce Strategy (continued)</p>	<p>Results of our work</p> <p>There are several assumptions which underpin the Workforce Planning. For example, in terms of technology, this is expected to create capacity and opportunities for redesign in the workforce, and there are likely to be efficiencies that can be gained from new technologies, such as artificial intelligence. This again links to the Council’s Corporate Plan 2025-27, which recognises transformation as a key driver for the Council in the future. There are several other assumptions included, including working pattern assumptions (with the assumption that hybrid/flexible working will continue in the future, which is in line with the Council’s approach to working, and assumptions relating to workforce supply and demand, recognising the temporary/agency arrangements are likely to continue to some extent in the future). These assumptions are all reasonable, and in line with our knowledge of the Council.</p> <p>The Council’s Workforce Strategy impacts upon their budgeting and financial monitoring, with the Council recognising that a significant percentage of the budget is allocated to staff costs. The assumptions allow the Council to evaluate their future spending in terms of staff costs, and identify potential savings (for example, using new technologies to streamline tasks where possible), and to identify areas where costs might be likely to rise (for example, agency costs).</p> <p>Overall, we are satisfied that the Council’s Workforce Strategy contains appropriate assumptions, is aligned with other strategic documents, and influences the Council’s budgeting reporting.</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	Significant risks identified
<p>Statutory Performance Indicator 1: Improving local services and local outcomes</p>	<p>Through the Council's Annual Report, they have provided a balanced view of how their services are performing regarding their strategic priorities. Whilst achievements are highlighted throughout, there is also evidence that weaker areas have been considered, and steps to improve local services and outcomes have been listed.</p> <p>It is also clear that communities have been involved in terms of agreeing outcomes with partners. These outcomes have been developed alongside the Community Planning Partnership, which comprises bodies from the public sector, third sector and local communities.</p> <p>The Council have also used the Local Government Benchmarking Framework (LGBF) to monitor their performance against other Scottish Councils. The Council's Annual Report demonstrates that performance has improved over the last year - 60% of their indicators are now in quartile 1 or 2 (compared to 46% in the previous year), which demonstrates performance is above the Scottish average.</p>	<p>The Council has appropriate arrangements in place to comply with Statutory Performance Indicator 1.</p>	<p>No significant risks 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	Significant risks identified
Statutory Performance Indicator 2: Demonstrating Best Value	<p>The Council's Annual Report demonstrates that it assesses its performance in terms of Best Value. The Council reports across their key service lines (including education, social care and housing) in terms of corporate outcomes, including results of inspections and reviews. Examples include:</p> <ul style="list-style-type: none"> • Percentage of children living in poverty • Percentage of apprentices who find success after completing the Modern Apprentice Programme • Number of affordable social sector new builds completed <p>This is also interrogated by members across various committees, such as the Policy and Resources committee, and service-specific groups. The Council ensures that its reporting is accessible across diverse communities - for example, reports are published electronically, but alternative versions such as large print/translated copies are also available.</p> <p>The Council also considers results from external bodies who provide scrutiny - form example, the percentage of care services that are graded as 'good' or better in Care Inspectorate inspections.</p>	<p>The Council has appropriate arrangements in place to comply with Statutory Performance Indicator 2.</p>	<p>No significant risks identified.</p>



Appendices

A: Internal control conclusions

B: Draft management representation letter

C: Draft audit report

D: Confirmation of our independence

E: Other communications

F: Wider scope ratings

G: Current year updates, forthcoming accounting & other issues

Appendix A: Internal control conclusions

Other 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 control that is necessary 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 the 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 the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A 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 Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

This Appendix sets out the internal control observations that we have identified as at the date of this report. These control observations are not, in our view, significant control deficiencies but have been reported to management directly and are included in this report for your information. In our view, there is a need to address the deficiencies in internal control set out in this section to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Appendix A: Internal control conclusions (continued)

Other recommendations in internal control

Provision of Employee Contracts

Description of deficiency

During the testing of payroll expenses, we experienced difficulty in sourcing the original contracts for the majority of individuals selected. Thus, the Council provided alternatives such as Offer of Appointment and Contractual Amendments as well as agreeing employee details to the Council's iTrent system.

Potential effects

The provision of original contracts confirms that an individual is legitimately employed and that an individual is acknowledges the conditions of their employment. Thus, due to the Council's inability to provide contracts for all the samples tested increases the risk of payments being made to employees who do not exist.

Recommendation

The Council should ensure that they retain a copy of the latest employee contract for each employee as evidence of legitimate employment.

Management response

For long-standing employees in particular, original contracts are not always available due to the age of records. Employment is evidenced through alternative documentation and system records. The Council continues work to ensure the latest contractual terms are retained and accessible going forward.

Appendix A: Internal control conclusions (continued)

Other recommendations in internal control

Historic split between Education and Social Work expenditure

Description of deficiency

During the testing of expenditure, we identified that some expenditure is split between Education and Social Work. Upon enquiry of the split, the Council stated that it is an agreed historic split between Education and Social Work (62% SW and 38% E). It has been the same rates for years, they believe it is based on the percentage of time that relates to the residential element of the placement and the proportion of education but there is no specific calculation.

Potential effects

There is a risk that expenditure for each service department is misstated due to the reliance on this historic split and the absence of a review of this calculation. The historic split may no longer accurately reflect the percentage of time spent in each area.

Recommendation

The Council should review this historic split to ensure it is still appropriate.

Management response

The appropriateness of the split will be reviewed to confirm if it remains reflective of service activity.

Appendix A: Internal control conclusions (continued)

Other recommendations in internal control

Loans Fund – Treasury Management Strategy

Description of deficiency

Having reviewed the 2024/25 and 2025/26 Treasury Management Strategy reports, and the 2024/25 Treasury Management Annual Report, the Council is yet to disclose a breakdown of the future Loans Fund repayments as required by the Local Government Finance Circular 7-2024 - Loans Fund Accounting.

Potential effects

If no detailed repayment breakdown is provided, it makes it more difficult for Councillors/the public to understand the long-term impact of the Council's borrowing.

Recommendation

The Council should review the latest Finance Circular regarding Loans Fund Accounting (7-2024) and ensure all Treasury Management reports are prepared in accordance with the Scottish Government's requirements.

Management response

The Council will review the 2026/27 reports and include a table setting out future Loans Fund repayments to ensure alignment with the disclosure requirements.

Appendix A: Internal control conclusions (continued)

Other recommendations in internal control

Cash and Cash Equivalents – Missing reconciliation

Description of deficiency

Council is unable to provide a reconciliation for the 'LEADER Plus' Bank Account as they cannot find this amount in the ledger. We know the amount (£1k) exists as we have obtained the bank confirmation. Therefore, there is a difference between ledger amount and actual monies held. The initial scheme was in 2000-2006 so pre-dates their current accounting system. It appears that it's most likely that they distributed funds and this account may have been ring-fenced for that purpose as EU funding often required demonstrable ring-fencing.

Potential effects

There is a risk that the amounts held differ from the amounts reported.

Recommendation

The Council should ensure the ledger reflects actual monies held.

Management response

Further work will be undertaken to determine the most appropriate accounting treatment and ensure the ledger reflects the actual monies held.

Appendix A: Internal control conclusions (continued)

Other recommendations in internal control

Payroll Data Migration – No formal rollback activities

Description of deficiency

Based on our inquiry with the client and review of the data migration project management controls, the following artifacts/documents were not available for our review:

- Roll-Back Plan: A rollback plan did not exist. It was understood Rollback activities were intended to be performed by the Payroll Team on an as-needed basis, with any corrective actions coordinated with the Systems Development Team. §
 - Roll-Back Activities: A rollback procedure was executed in December 2024 after the payroll period was incorrectly advanced to February 2025 instead of January 2025. The issue was successfully corrected; however, the process lacked a formal logging mechanism and a structured audit trail was not maintained.
-

Potential effects

Absence of appropriate project management procedures/controls may lead to the following:

- High-level rollback documentation may prevent effective system restoration if the migration fails.
 - Incomplete governance documentation reduces assurance over the integrity and control of the migration process.
 - Missing project artefacts weaken auditability and evidence of compliance with project management and IT governance standards
-

Recommendation

The Council should introduce a Roll-Back Plan for any future system changes. All activity should also be logged to create a clear audit trail.

Management response

This issue arose during the one-off implementation of the new payroll system in 2024/25 and has now passed. However, the Council will ensure that formal rollback plans and audit-trail logging are built into any future one-off system changes to strengthen governance and assurance.

Appendix A: Internal control conclusions (continued)

Follow up on previous internal control points

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

Property Plant and Equipment Valuation Reconciliations - Brought Forward from Prior Year

Description of deficiency

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.

Current year update: The Council continues to produce Programme 1 and 2 documents with summaries of revalued assets. It also produces a document summarising the valuation dates and type for all assets allowing reconciliation to be performed. There is still potential for layout of this to be improved.

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 (updated for 24/25)

Further refinement of supporting area records will be progressed as part of ongoing process improvements.

Appendix A: Internal control conclusions (continued)

Dormant/Inactive Bank Accounts

Description of deficiency

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.

Current year update: There are still some accounts that appear dormant/inactive. One bank account has been closed in the period. Upon discussion with management they intend to leave some of the accounts with low balances open for similar reasons.

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 (updated for 24/25)

A small number of low activity accounts remain open for operational reasons and will continue to be monitored through regular bank reconciliations.

Appendix A: Internal control conclusions (continued)

Inconsistency in Related Party Records

Description of deficiency

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.

Current year update: No such issues were noted during our testing in the 2024/25 audit.

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.

Appendix A: Internal control conclusions (continued)

Property Plant and Equipment Valuations - Concerto system

Description of deficiency

We noted that during testing of PPE valuations the asset records and floor areas held on the Concerto system were inconsistent with area inputs used in the valuer certificates. It was noted that not all additions/ amendments to asset areas were updated.

Current year update: There are still some differences across the area inputs used by the valuer and asset records/floor areas on Concerto system.

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

Management should ensure there are clear controls and processes in place to ensure that information on Concerto is kept accurate and up to date.

Management response (updated for 24/25)

The geography of Argyll and Bute makes it difficult to inspect and measure all properties so existing records are relied upon in some circumstances supplemented by information from other sources such as the Assessor. As part of the rolling programme there is an ongoing process to continue to improve records and consistency within the available resources.

Appendix A: Internal control conclusions (continued)

Expected Credit Loss

Description of deficiency

We noted during our testing of Debtors, when considering the application of the CIPFA Code/IFRS 9 Financial Statements in relation to expected credit losses, that the Council had not done a detailed assessment of the Expected Credit loss for the year.

Current year update: No such issues were noted in the 24/25 audit during our testing.

Potential effects

Non-compliance with the Code's requirements on Expected Credit Losses.

Recommendation

We recommend that the Council management should ensure the Expected Credit loss calculation for the Council includes an assessment of the losses on the basis of 12-month expected losses for the qualifying debtors.

Appendix B: Draft management representation letter

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

DD/MM/2026

Dear Mark,

Argyll and Bute Council - Audit for Year Ended 31 March 2025

This representation letter is provided in connection with your audit of the financial statements of Argyll and Bute Council (the Council) and Group for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

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.

Appendix B: Draft management representation letter

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 Code, as amended by applicable law.

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 and Group 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.

I confirm that there is no information provided to you as part of the audit that I consider legally privileged.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

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

Appendix B: Draft management representation letter

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Council and Group 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 and Group 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 Code, as amended by applicable law.

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.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix B: 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 and I believe I have appropriately fulfilled those responsibilities.

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 and Group 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 and Group'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 requirements of the Code, as amended applicable law.

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

Future commitments

The Council and Group has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Appendix B: Draft management representation letter

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2024/25 in relation to the Council and Group's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by applicable law, 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.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and 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.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council and 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 AGS.

Annual Report

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

Appendix B: Draft management representation letter

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix. Please make sure the appendix is attached to the letter and not cross-referenced to the appendix in the Annual Audit Report.

Prior period adjustments

A prior period adjustment/reclassification was identified and impacted upon the figures in [applicable accounts].

As a result, the prior period figures have been restated. I confirm that I have disclosed to you all the relevant information to support the prior period adjustment and its disclosure notes within the financial statements and I deem the disclosure to be complete and accurate to the best of my knowledge.

Yours faithfully,

Kirsty Flanagan

Section 95 Officer

Date: XXXX

Appendix C: 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 ("the Council") for the year ended 31 March 2025 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the 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 2024/25 (the 2024/25 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 2025 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 2024/25 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. 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.

Appendix C: Draft audit report

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 ability of the Council and its group 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 current or future financial sustainability of the Council and its group. However, we report on the Council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland Website.

Risks of material misstatement

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

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

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

In preparing the financial statements, the Section 95 Officer is responsible for assessing the ability of the Council and its group 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.

Appendix C: Draft audit report

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 operations of the Council and its group;
- inquiring of the Section 95 Officer concerning the policies and procedures of the Council and its group 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'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 skilfulness 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

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

Other information

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

Appendix C: Draft audit report

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Appendix C: 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.

[Signature]

Mark Outterside, Director

For and on behalf of Forvis Mazars LLP

Forvis Mazars LLP

26 Mosley Street

Newcastle upon Tyne

NE1 1DF

XX January 2026

Appendix D: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the 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 D: 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 2025. Having substantially completed our work for the 2024/25 financial year, we can confirm that our fees are as follows:

Area of work	2024/25 fees	2023/24 fees
Auditor remuneration	£262,260	£251,690
Contribution to PABV costs	£60,940	£63,850
Total fees	£330,800	£324,600

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 charitable trusts. Having substantially completed our work for the 2024/25 financial year, we can confirm that our fee for the audit of these is £9,250 (2023/24 fees were £9,000).

Services provided to other entities within the Council's group



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

- Argyll and Bute Integration Joint Board (total fee of £34,000)
- Dunbartonshire and Argyll and Bute Valuation Joint Board (total fee of £10,000)
- Live Argyll (total fee TBC)



Appendix E: Other communications

Other communication	Response
 Compliance with Laws and Regulations	<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>
 External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 Related parties	<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.
 Going Concern	<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 E: 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>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled '<i>Fraud considerations</i>' for our fraud considerations and conclusion.</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 E: Other communications (continued)

Other communication	Response
 <p>System of Quality Management</p>	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none"> • Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership • Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm’s strategies and priorities • Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.) • Identifying, designing, and implementing responses as part of the process to strengthen our firm’s internal control environment and overall quality • Evaluating responses and remediating control gaps or deficiencies <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website here.</p>
 <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 NFI exercise for 2024/25 has commenced, and data uploads have been submitted to the Cabinet Office for review. As at 16/11/2025 (per update report taken to the Audit and Scrutiny Committee), 5,612 matches are complete (over 11 operational areas), and 5,532 have cleared, with 80 errors. More uploads have been given to the Cabinet Office in November 2025 and will be matched once released.</p>

Appendix F: 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.

Appendix G: Current year updates, forthcoming accounting & other issues

Applicable for IFRS Reporters

Current and forthcoming accounting issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2023

IFRS 17 *Insurance Contracts* (issued May 2017) and Amendments to IFRS 17 *Insurance Contracts* (Issued June 2020)

- IFRS 17 *Insurance Contracts* (IFRS 17) is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities. The amendments, issued subsequently in June 2020, do not change the fundamental principles of IFRS 17 and are aimed at helping companies implement the standard and make it easier for them to explain their financial performance. The EU has endorsed the adoption of IFRS 17, although with some changes to the version issued by the IASB. In May 2022, the UK Endorsement Board (UKEB) adopted the standard and the associated amendments.

Amendments to IFRS 17 *Insurance Contracts*: Initial Application of IFRS 17 and IFRS 9 (Issued December 2021)

- The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 *Financial Instruments* (IFRS 9) and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis. The amendments have been UK-adopted and endorsed by the EU.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements: Disclosure of Accounting Policies* (Issued February 2021)

- The amendments set out notable new requirements for accounting policy disclosures that change the requirements for entities to disclose material accounting policy information, rather than significant accounting policies, and not to disclose immaterial accounting policy information, explaining that accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material. Earlier application is permitted. The amendments have been UK-adopted and endorsed by the EU.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (Issued February 2021)

- The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events. Earlier application is permitted. The amendments have been UK-adopted and endorsed by the EU.

Appendix G: Current year updates, forthcoming accounting & other issues (continued)

Applicable for IFRS Reporters

Current and forthcoming accounting issues (continued)

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2023

IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements.

Appendix G: Current year updates, forthcoming accounting & other issues (continued)

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (Including the work of component auditors)

ISA (UK) 600 deals with the special considerations that apply to audits of group financial statements, including those circumstances when component auditors are involved. The auditing standard has been revised. The revised standard is effective for audits of group financial statements for periods beginning on or after 15 December 2023. The revisions made to ISA (UK) 600 impact how we perform audits of group financial statements, and how we communicate our audit strategy and audit findings arising from audits of group financial statements, going forward. This page sets out the key changes made to ISA (UK) 600 and how Forvis Mazars will apply the requirements of the revised standard in practice.

Key changes

The previous ISA (UK) 600 included prescriptive requirements in respect of the audit procedures required over 'significant components' of a group, i.e., a 'full scope' audit of a significant component's financial information relevant to the group financial statements was required. Forvis Mazars defined a 'significant component' as one that contributed to the group financial statements more than 15% of the materiality benchmark selected to determine group materiality, e.g., if we had determined materiality using a profit before tax benchmark, any component that contributed more than 15% of the group's reported profit before tax would be classified as a significant component and a 'full scope' audit would be performed over that component's financial information.

ISA (UK) 600 Revised eliminates the 'significant component' concept, opting instead for consideration of risks of material misstatement at the assertion level of the group financial statements that are associated with components. This results in a group audit that is better focused on the risks of material misstatement of the group financial statements and affords greater flexibility in how we classify components and how we may design the nature and extent of audit procedures to be performed over a component's financial information, i.e., we can determine the nature and extent of the audit procedures to be performed over a component's financial information based on the specific risks relevant to the group financial statements.

ISA (UK) 600 also, however, removed the option to limit the procedures performed over a 'non-significant' component's financial information to desktop analytical procedures. We are now required to perform substantive audit procedures (or a combination of substantive audit procedures and tests of controls) over the group financial statements, including the financial information relating to components in the group, until the residual, untested balances, classes of transaction and disclosures in the group financial statements are below our group materiality. This is to ensure that aggregation risk (the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole) is addressed appropriately.

In combination, these changes may result in a change to the nature and extent of the audit procedures we perform over the financial information of components on a group audit compared to previous years and may result in components that were not previously in scope of our group audit being brought into scope going forward to ensure that we address aggregation risk appropriately.

Appendix G: Current year updates, forthcoming accounting & other issues (continued)

International Standard on Auditing (UK) 600 Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

To ensure consistency of approach, Forvis Mazars will apply the definitions set out below when performing audits of group financial statements going forward:

Key component	Material component	Non material component
<p>Any component:</p> <p>i. Which is greater or equal to 15% of the benchmark chosen for calculating group materiality (key by size); or</p> <p>ii. Where the specific nature or circumstance of its financial information make it likely to include significant risks of misstatement of the group financial statements (key by risk).</p>	<p>Any component, other than a key component, that contributes to one or more group financial statement areas an amount that is above group financial statement materiality.</p>	<p>A component, that is not a key component or a material component, that is scoped into a group audit to reduce the risk of material misstatement of the group financial statements to an acceptably low level (based on size or risk) in situations when, after assessing which components are key components and material components, the aggregate amount of a financial statement area related to un-scoped components is still above group financial statement materiality.</p>

Appendix G: Current year updates, forthcoming accounting & other issues (continued)

International Standard on Auditing (UK) Revised - Special considerations - Audits of group financial statements (including the work of component auditors)

Key changes (continued)

Definition of ‘component’ - The definition of ‘component’ has been revised to “an entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for the purposes of planning and performing audit procedures in a group audit”.

This provides clarity on how components may be identified in a group audit and may result in a change to how we identify components on a group audit compared to previous years. For example, we may group separate legal entities (e.g., subsidiaries) in a group based on common characteristics (such as common management, common information systems, and common geographical locations) and treat those components as a single component, when appropriate to do so.

Common controls - The definition of ‘group-wide’ controls has been removed and we are instead required to consider ‘common controls’, being controls that operate in a common manner for multiple entities or business units.

This may assist us in grouping separate legal entities, business units, functions, or business activities in a group into a single component for the purposes of a group audit; or it may result in us grouping specific account balances or classes of transaction recorded by individual legal entities, business units, functions, or business activities into a single population for the purposes of our audit procedures.

For audits where we are adopting a controls-based audit strategy, this may result in efficiencies, as we can rely on a single control for the purposes of the audits of more than one component where that control is common to those components.

Definition of ‘engagement team’ - The definition of ‘engagement team’ has been revised to include component auditors. While this change may seem inconsequential, it forms part of the overall changes intended by ISA (UK) 600 Revised to enhance two-way communication between the group auditor and component auditors during a group audit. This will result in enhanced direction and supervision of component auditors by the group auditor during a group audit.

Calculation of component materiality - The requirement to set overall materiality for a component has been removed. We are now only required to determine component performance materiality.

Other changes - ISA (UK) 600 Revised includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM (UK) 1, ISA (UK) 220, and ISA (UK) 315. The new and revised requirements also strengthen our responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and audit documentation. These changes are to encourage proactive management of quality at the group engagement level and the component level; reinforce the need for robust communication and interactions during a group audit; and foster an appropriately independent and challenging sceptical mindset.

Scope of audit work to be performed over a component’s financial information - Forvis Mazars will, going forward, determine the scope of work to be performed over a component’s financial information on a group audit using the definitions set out below:

Full scope	Specific scope	Group Engagement Team Instructed Procedures
Designing and performing audit procedures on the entire financial information of a component.	Designing and performing audit procedures on one or more specified account balances, classes of transaction, and/ or disclosures of a component.	Performing specified audit procedures, as designed and instructed by the group engagement team.

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