



# Argyll and Bute Council

Annual Audit Plan  
2015/16 - Draft

Prepared for Members of Argyll and Bute Council

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The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies ([www.audit-scotland.gov.uk/about/ac/](http://www.audit-scotland.gov.uk/about/ac/)). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General ([www.audit-scotland.gov.uk/about/](http://www.audit-scotland.gov.uk/about/)).

The Accounts Commission has appointed Fiona Mitchell-Knight as the external auditor of Argyll and Bute Council for the period 2011/12 to 2015/16.

This report has been prepared for the use of Argyll and Bute Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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# Summary

## Introduction

1. Our audit is focused on the identification and assessment of the risks of material misstatement in Argyll and Bute Council's financial statements. This is the last year of our five year audit appointment.
2. This report summarises the key challenges and risks facing Argyll and Bute Council and sets out the audit work that we propose to undertake in 2015/16. Our plan reflects:
  - the risks and priorities facing Argyll and Bute Council
  - current national risks that are relevant to local circumstances
  - the impact of changing international auditing and accounting standards
  - our responsibilities under the Code of Audit Practice as approved by the Auditor General for Scotland
  - issues brought forward from previous audit reports.
3. The Charities Accounts (Scotland) Regulations 2006 specifies the accounting and auditing rules for Scottish registered charities. Irrespective of the size of the charity, as a consequence of the interaction of section 106 of the Local Government (Scotland) Act 1973 with the regulations, a full audit is required of all registered charities where the local authority is the sole trustee. Argyll and Bute Council has 10 trusts having charitable status with total assets of £5.818 million. Accordingly, we will perform the audit of the

council's charitable trusts in parallel with the audit of the council's financial statements.

4. **Health and social care integration:** Argyll and Bute Integration Joint Board (IJB) was established on 18 August 2015 although services will not transfer to the new body until 1 April 2016.
5. The IJB is subject to a separate audit. Fiona Mitchell Knight, Assistant Director, Audit Services is the appointed auditor in 2015/16. We do not expect the IJB to be material to the council's group accounting arrangements in 2015/16.

## Summary of planned audit activity

6. Our planned work in 2015/16 includes:
  - an audit of the financial statements and provision of an opinion on whether:
    - they give a true and fair view of the state of affairs of Argyll and Bute Council and its group as at 31 March 2016 and its income and expenditure for the year then ended
    - the accounts have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
  - reporting the findings of the shared risk assessment process in a Local Scrutiny Plan. This will summarise identified scrutiny risks and/or any changes to the Local Area Network's (LAN's) assessment since last year

- a review and assessment of Argyll and Bute Council's governance and performance arrangements in a number of key areas including: internal controls, adequacy of internal audit and the management of Arm's Length External Organisations (ALEOs)
- provision of an opinion on a number of grant claims and returns, including Whole of Government Accounts
- reporting of National Fraud Initiative arrangements and results
- collection of relevant financial and performance information to inform Audit Scotland's national reports.

# Responsibilities

7. The audit of the financial statements does not relieve management or the Audit Committee, as the body charged with governance, of their responsibilities.

## Responsibility of the appointed auditor

8. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.
9. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements set in place by the audited body to ensure the proper conduct of its financial affairs and to manage its performance and

use of resources. In doing this, we aim to support improvement and accountability.

## Responsibility of the Head of Strategic Finance

10. It is the responsibility of the Head of Strategic Finance the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:
  - maintaining proper accounting records
  - preparing financial statements which give a true and fair view of the state of affairs of Argyll and Bute Council and its group as at 31 March 2016 and its expenditure and income for the year then ended.

## Format of the accounts

11. The financial statements should be prepared in accordance with the Code, which constitutes proper accounting practice.
12. Argyll and Bute Council prepares a Whole of Government Accounts consolidation pack annually for the Scottish Government. To enable summarisation common accounting principles and standard formats should be used.

# Audit Approach

## Our approach

13. Our audit approach is based on an understanding of the characteristics, responsibilities, principal activities, risks and governance arrangements of Argyll and Bute Council and its group. We also consider the key audit risks and challenges in the local government sector generally. This approach includes:
- understanding the business of Argyll and Bute Council and its group and the risk exposure which could impact on the financial statements
  - assessing the key systems of internal control, and considering how risks in these systems could impact on the financial statements
  - identifying major transaction streams, balances and areas of estimation and understanding how Argyll and Bute Council will include these in the financial statements
  - assessing and addressing the risk of material misstatement in the financial statements
  - determining the nature, timing and extent of the audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements give a true and fair view.
14. We have also considered and documented the sources of assurance which will make best use of our resources and allow us to focus audit testing on higher risk areas during the audit of the financial statements. The main areas of assurance for the audit come from planned management action and reliance on systems of internal control. Planned management action being relied on for 2015/16 includes:
- comprehensive closedown procedures for the council and group financial statements accompanied by a timetable issued to all relevant staff
  - clear responsibilities for preparation of financial statements and the provision of supporting working papers
  - delivery of unaudited financial statements to agreed timescales with a comprehensive working papers package
  - completion of the internal audit programme for 2015/16.
15. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal audit services are provided by the Internal Audit section of the council. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an early assessment of the internal audit function. Overall, we concluded that the internal audit service generally operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

16. We plan to place formal reliance on aspects of the work of internal audit in the following areas, to support our audit opinion on the financial statements:
- General Ledger
  - Trade Receivables
  - Trade Payables
  - Payroll
  - Treasury Management
  - Council Tax Billing and Collection
  - NDR Billing and Collection
  - Capital Accounting
17. In respect of our wider governance and performance audit work we also plan to review the findings and consider other areas of internal audit work including:
- Statutory Performance Indicators
  - National Fraud Initiative and other data matching exercises
  - Corporate risk management arrangements
  - Performance management arrangements
  - Procurement
18. Quarterly meetings will be held with the Chief Internal Auditor to discuss respective audit plans and work.

## Audit approach to correspondence received from the public

19. Audit Scotland's website explains that members of the public can write to Audit Scotland to raise issues that they have in relation to council's. These are considered by the Controller of Audit's team. Correspondents should in the first instance seek a response to these issues directly from the appropriate council. The correspondence is then passed onto the local auditors where it is felt to be of relevance to the scope of the audit.
20. As local auditors we then consider an appropriate response. The scope of response can vary from consideration as part of our existing work to a separate investigation. We receive a large amount of correspondence to consider relating to Argyll and Bute Council.
21. If the correspondence requires extra audit work we will discuss this in the first instance with the Head of Strategic Finance and /or the Chief Executive depending on its nature. We will also inform the Chief Internal Auditor.
22. The outputs from this work depend on the nature of our findings. We will consider whether a separate audit report or management letter is required and also include a summary in our annual audit report. The Audit Committee will be informed where it is identified that audit work is leading to a report/ management letter. All audit reports are presented to the Audit Committee for consideration by members.



## Materiality

23. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, the failure to achieve a statutory requirement or, an item contrary to law). In the event of such an item arising, its materiality has to be viewed in a narrower context; such matters would normally fall to be covered in an explanatory paragraph in the independent auditor's report.
24. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements both individually and collectively.

Based on our knowledge and understanding of Argyll and Bute Council we have set our planning materiality at £3.110 million (1% of gross expenditure).

25. We set a lower level, known as performance materiality, when defining our audit procedures. This is to ensure that uncorrected and undetected audit differences do not exceed our planning materiality. This level depends on professional judgement and is informed by a number of factors including:
- extent of estimation and judgement within the financial statements

- nature and extent of prior year misstatements
  - extent of audit testing coverage.
26. For 2015/16 performance materiality has been set at £1.866 million. We will report, to those charged with governance, all misstatements identified which are greater than £30,000.

## Reporting arrangements

27. The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed external auditor no later than 30 June each year. The authority (or a committee whose remit includes audit or governance) is required to consider the unaudited annual accounts at a meeting by 31 August.
28. Local authorities must publish the unaudited accounts on their websites and give public notice of the inspection period.
29. The 2014 regulations require the local authority (or a committee whose remit includes audit or governance) to meet by 30 September to consider whether to approve the audited annual accounts for signature. Immediately after approval, the annual accounts require to be signed and dated by specified members and officers and then provided to the auditor. The Controller of Audit requires audit completion and issue of an independent auditor's report (opinion) by 30 September each year.
30. The authority is required to publish on its website its signed audited annual accounts, and the audit certificate, by 31 October. The local authority is also required to publish a copy of the accounts of its

subsidiaries. The annual audit report is required to be published on the website by 31 December.

31. A proposed timetable for the audit of the 2015/16 financial statements is included at Exhibit 1 below. Discussions are still ongoing on the timing of committee dates to ensure compliance with the 2014 regulations.

**Exhibit 1: Financial statements audit timetable**

Key stage	Date
Testing and review of internal control systems and transactions	January to April 2016
Meetings with officers to clarify expectations of working papers and financial system reports	Ongoing
Consideration of unaudited financial statements by those charged with governance	17 June 2016
Latest submission date of unaudited council financial statements with complete working papers package	30 June 2016
Progress meetings with lead officers on emerging issues	Ongoing
Latest date for final clearance meeting with Head of Strategic Finance	9 September 2016
Agreement of audited unsigned financial statements, and issue of Annual Audit Report which includes the ISA 260 report to those charged with governance	23 September 2016

Key stage	Date
Independent auditor's report signed	23 September 2016
Latest date for signing of WGA return	30 September 2016

Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the responsible head of service and relevant officers to confirm factual accuracy. Responses to draft reports are expected within three weeks of submission. A copy of all final agreed reports will be sent to the Chief Executive, Head of Strategic Finance, relevant senior managers, Chief Internal Auditor, and Audit Scotland's Performance Audit and Best Value Group.

32. We will provide an independent auditor's report to Argyll and Bute Council and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. The combined ISA 260 and Annual Audit Report will be issued by 30 September.
33. All annual audit reports produced are published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
34. Planned outputs for 2015/16 are summarised at [Appendix 1](#).

## Quality control

35. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established as part of financial audit procedures. This is to provide reasonable assurance that those professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Accounts Commission. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews and has been subject to a programme of external reviews by the Institute of Chartered Accountants of Scotland (ICAS).
36. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We do, however, welcome feedback at any time and this may be directed to the engagement lead, Fiona Mitchell-Knight.

## Independence and objectivity

37. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB) and those of the professional

accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

38. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Argyll and Bute Council.

# Audit issues and risks

## Audit issues and risks

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

## Financial statement issues and risks

40. **Management override of controls:** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to

be a significant risk in any audit. ISA 240 states that audit procedures should be responsive to risks related to management override of controls. We will design and perform audit procedures to address these risks within Argyll and Bute Council.

41. **Income:** Auditing standards (ISA 240 The auditor's responsibility to consider fraud in an audit of financial statements) requires auditors to presume a risk of fraud where income streams are significant. Argyll and Bute Council receives a significant amount of funding from the Scottish Government, however £146 million is received from other sources, including service income, Council Tax and Non Domestic Rates. The complexity of income means there is an inherent risk that income could be materially misstated. It is our opinion that the Council has strong mitigating controls in place to reduce this risk. To reinforce this view, we will be undertaking revenue transaction testing across all areas.
42. **Provisions:** This is an area of significant estimation based on management judgements. There are potentially areas in 2015/16, such as non-contractual holiday pay claims and equal pay, where it is not yet possible to give a definitive view on the likely outcome for the council. We will meet with officers to discuss the latest position on all provisions, and ensure this is accurately reflected in the financial statements.
43. **Heritage assets.** Our 2014/15 Report recorded that the council's revalued museum and libraries art collection will be reflected in the 2015/16 accounts and that the council is to consider cataloguing the assets of the Campbeltown museum and the Argyll collection during

2015/16. We will ensure that the revalued assets are accurately reflected in the financial statements and will continue to monitor and report developments in this area.

## Wider dimension issues and risks

44. **Best value follow-up.** A report was submitted by the Controller of Audit to the Accounts Commission in December 2015. In its findings, the Commission acknowledges and welcomes the progress by the council since 2013 in relation to improved governance, decision-making and scrutiny arrangements and the improving relationships between political groups and between members and officers.
45. The Commission also reports that members and senior officers need to consolidate this progress by continuing to improve the council's openness, transparency and how it involves its communities in decision-making and scrutiny, in order to build the trust and confidence of service users and the public. This finding is particularly significant in view of the imminent departure of the current Chief Executive, as the role of the revised senior management team will be crucial in addressing these issues.
46. The Commission also notes that more can be done to ensure a more effective contribution from area committees and that the council's current approach to the scale of the financial challenge it faces is not sustainable. Follow up work will be carried out to assess the progress made in addressing the report findings. The results of this work will be reported as part of the annual audit.

47. **Financial Management:** A report to the special PRC meeting in June 2015 indicated that the budget gap was estimated to be between £21.7 million and £26.0 million, over the five year period 2016/17 to 2020/21 requiring savings of between £7.9 million and £8.8 million in 2016/17 and between £7.9 million and £9.6 million in 2017/18. Members agreed to move forward with overall savings targets of around £9 million in both 2016/17 and 2017/18.
48. Service Choices is one element of the budget strategy to address both the challenges within the Single Outcome Agreement and the estimated funding reductions. The Council at its meeting on 22 October 2015 agreed to consult on over 140 policy options prior to decisions at the Council budget meeting on 11 February 2016. The total savings from the policy options for 2016/17 amounted to £7.398m.
49. Revenue budget papers submitted by Strategic Finance to the Council budget meeting on 11 February 2016, reflecting the funding settlement announcements, identified a revised funding gap of £10.052 million for 2016/17. At this meeting, the Council rejected policy options savings to the value of £1.402m and accepted in part only or in full savings options to the value of £5.186m. Other measures agreed to produce a balanced budget included councillor, management and other staff savings and a 6% increase to the council's income-generating fees and charges.
50. The council recognise that achieving these savings will require significant change in the way the council operates. We will continue to monitor and report on the council's management of its resources.
51. **Workforce planning:** Delivering the required savings to meet the estimated future funding gaps will inevitably result in a reduction in the number of employees. As the Council's Redundancy Policy seeks to achieve post reductions through voluntary means as far as possible, the Council agreed to invite expressions of interest in voluntary redundancy. At the current time, more than 450 employees have expressed such an interest. Audit Scotland have previously highlighted that councils need to ensure that staff reductions are considered within the context of comprehensive workforce strategies and plans. Audit Scotland published a report on Scotland's Public Sector Workforce in November 2013. We will carry out local follow up work this year based on the recommendations in the 2013 report. We will also consider how the redundancies have been accounted for in the 2015/16 accounts.
52. **CHORD.** Our 2014/15 Report recorded that work on the Oban Bay/Harbour project had not progressed as planned and there is a risk that costs will exceed the budget on completion. Follow up work will be carried out to establish how the council is monitoring progress across all CHORD projects. We will report our findings when this work is completed.
53. **Argyll and Bute Alcohol and Drug Partnership.** Argyll and Bute Council undertook a commissioning process for community based addiction recovery services in 2014 on behalf of the Argyll and Bute Alcohol and Drug Partnership. Due to the profile of this commissioning process in the local community and receipt of correspondence from members of the public and local MSPs, the

audit team carried out a review of this process. The findings from our review were reported to the council/ADP in May 2015.

54. Our report contains a number of recommendations to the council and the ADP. We will monitor progress in implementing the report's recommendations and report the results of this work as part of the annual audit.
55. **Health and social care integration:** Argyll and Bute Integration Joint Board (IJB) was established on 18 August 2015 although services will not transfer to the new body until 1 April 2016.
56. The IJB is subject to a separate audit. Fiona Mitchell Knight, Assistant Director, Audit Services is the appointed auditor in 2015/16. We do not expect the IJB to be material to the council's group accounting arrangements in 2015/16.
57. **Infrastructure Assets:** From 2016/17, the Code requires infrastructure assets to be included in the council's financial statements at depreciated replacement cost. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The specific requirements are outlined at Appendix D to the Code. We will report on the council's preparation and review the disclosures in the 2015/16 accounts.

## National performance audit studies

58. Audit Scotland's Performance Audit and Best Value Group undertake a programme of studies on behalf of the Auditor General

and Accounts Commission. In line with Audit Scotland's strategy to support improvement through the audit process, we will carry out work to collect relevant financial and performance information to inform Audit Scotland's national reports.

# Fees and resources

## Audit fee

59. In determining the audit fee we have taken account of the risk exposure of Argyll and Bute Council, the planned management assurances in place, and the level of reliance we plan to take from the work of internal audit. We have assumed receipt of a complete set of unaudited financial statements and comprehensive working papers package by 30<sup>th</sup> June.
60. The proposed audit fee for the 2015/16 audit of Argyll and Bute council is £262,090. This includes £3,300 in respect of the separate audits required for the council's charitable trusts, referred to in para 3 above. Our fee covers:
- the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees
  - your organisations allocation of the cost of national performance studies and statutory reports by the Auditor General for Scotland
  - a contribution towards functions that support the local audit process (e.g. technical support and coordination of the National Fraud Initiative), support costs and auditors' travel and subsistence expenses.
61. The agreed fee for 2014/15 was £281,280. However, the 2014/15 audit included additional follow up work relating to the statutory report, and a range of audit work in response to correspondence received from members of the public. We do not anticipate this level of work being required in 2015/16 in these areas and have reduced the fee accordingly.
62. We have included within the proposed fee an amount to cover additional work anticipated in auditing presentational and monetary adjustments to the unaudited financial statements, which are above the normal level expected. This is based on the work required in these areas in the 2014/15 audit, for example on landfill site accounting adjustments and the management commentary. We have calculated a fee for this work as £3,080. This amount has been added to the midpoint of the indicative fee to calculate the total fee.
63. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Audit team

64. Fiona Mitchell-Knight, Assistant Director, Audit Services is your appointed auditor. The local audit team will be led by David Jamieson who will be responsible for day to day management of the audit and who will be your primary contact. Details of the experience and skills of our team are provided in Exhibit 2. The

core team will call on other specialist and support staff as necessary.

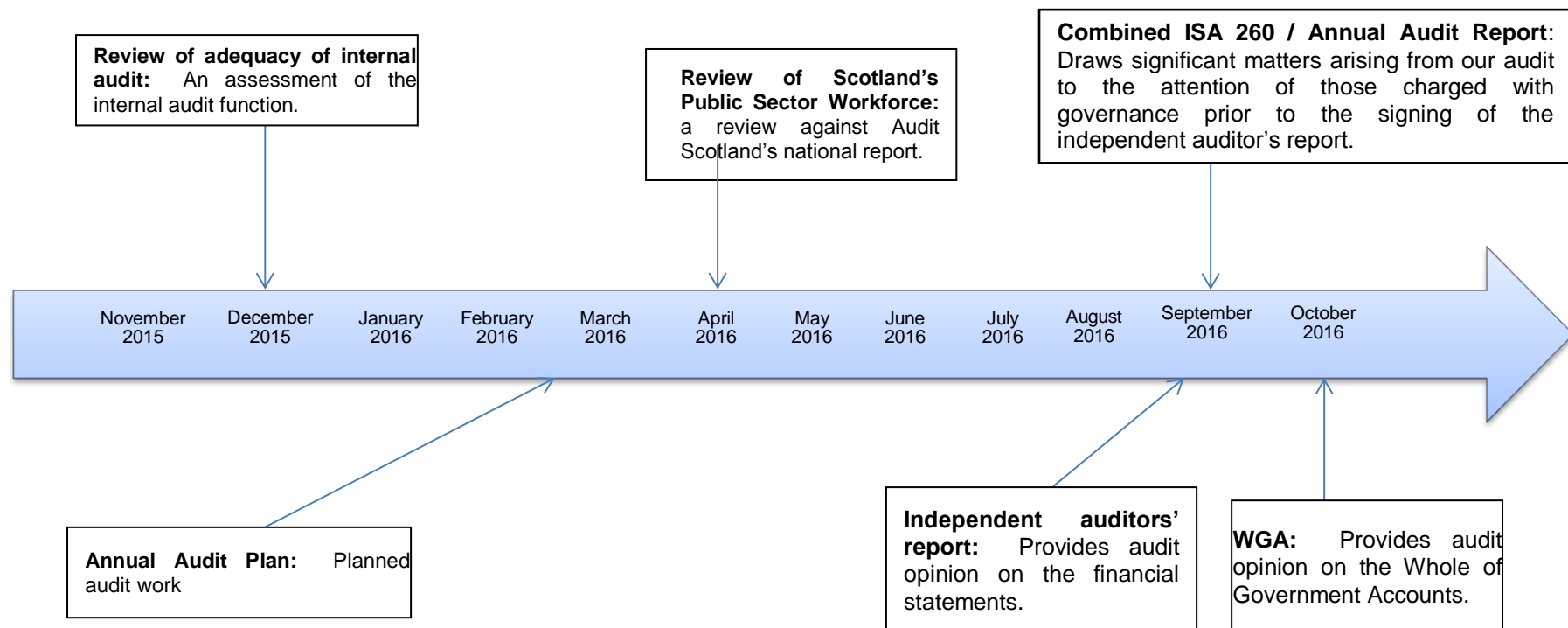
**Exhibit 2: Audit team**

Name	Experience
Fiona Mitchell-Knight BA (Hons) FCA Assistant Director (and certifying auditor)	Fiona took up post as Assistant Director of Audit in August 2007. Fiona trained as an auditor in the private sector in England. She has over 20 years experience of public sector audit with Audit Scotland, covering local government, health and the further education sectors.
David Jamieson CPFA Senior Audit Manager	David has over twenty years experience of both internal and external audit from a wide range of public sector clients including the NHS, local and central government.
Russell Smith BAcc CA Senior Auditor	Russell has fifteen years experience of public sector audit with Audit Scotland, covering local and central government. Russell previously worked in external audit in the private sector and in the international audit department of a multi national company.
Stephanie Harold BA (Hons) MSc CA Senior Auditor	Stephanie is an Economics graduate from Strathclyde University. She has 4 years experience in public sector audit working within the local government and health sectors.
Brian Gillespie DPA (CPFA) Auditor	Brian joined Audit Scotland in 2002 and has a wide range of external audit experience in the health, specifically the audit of NHS Greater Glasgow and Clyde, and local government sectors. Prior to this, Brian spent eight years as an internal auditor in the NHS.
Fiona Ivison BA (Hons) Professional Trainee	Fiona is an accountancy graduate from Glasgow Caledonian University with a first class honours degree. She joined Audit Scotland in 2013 and is studying for her ICAS qualification.



# Appendix 1: Planned audit outputs

The diagram below shows the key outputs planned for Argyll and Bute Council in 2015/16.



## Appendix 2: Significant audit risks

The table below sets out the key audit risks, the related sources of assurance received and the audit work we propose to undertake to address the risks during our audit work.

#	Audit Risk	Source of assurance	Audit assurance procedure
<b>Financial statement issues and risks</b>			
1	<p><b>Management override of controls</b></p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>• A sound system of budgetary control, including regular budget monitoring.</li> <li>• Regular updates of Standing Orders and Financial Regulations, which require approval by the Full Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries</li> <li>• Review of accounting estimates for bias</li> <li>• Evaluating significant transactions that are outside the normal course of business.</li> <li>• Focussed testing of the regularity and cut-off assertions during the financial statements audit.</li> </ul>
2	<p><b>Income</b></p> <p>Argyll and Bute Council receives a significant amount of income in addition to SG funding. The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA240.</p>	<ul style="list-style-type: none"> <li>• Sound controls arrangements have been reported in previous years of the audit.</li> <li>• Internal audit reviews.</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed testing of revenue transactions across each service area.</li> <li>• Testing of significant Grants received.</li> <li>• Focused testing of the Council Tax and NDR Income Accounts.</li> </ul>
3	<p><b>Provisions</b></p> <p>This is an area of significant estimation based on management judgements. There</p>	<ul style="list-style-type: none"> <li>• Officers review provisions as part of the financial statements preparation process in consultation with their</li> </ul>	<ul style="list-style-type: none"> <li>• We will review all provisions with senior council officers and review for appropriateness and accuracy based</li> </ul>

#	Audit Risk	Source of assurance	Audit assurance procedure
	<p>are potentially areas in 2015/16, such as non-contractual holiday and equal pay claims, where it is not yet possible to give a definitive view on the likely outcome for the council.</p> <p>Risk: The ultimate cost to the council is greater than anticipated.</p>	<p>legal service.</p>	<p>on the information available.</p> <ul style="list-style-type: none"> <li>We will continue to monitor any technical guidance in this area.</li> </ul>
4	<p><b>Heritage assets.</b></p> <p>Heritage Assets include two art collections valued in total at £1.140 million. The Argyll Collection (£0.649 million) was last valued in February 2010 however the other collection, held at various libraries and at the Campbeltown Museum (£0.491 million), was last valued in March 2004.</p> <p>Risk: Heritage assets are understated in the financial statements.</p>	<ul style="list-style-type: none"> <li>the council's revalued museum and libraries art collection will be reflected in the 2015/16 accounts</li> <li>the council is to consider cataloguing the assets of the Campbeltown museum and the Argyll collection during 2015/16.</li> </ul>	<ul style="list-style-type: none"> <li>Revalued assets are accurately reflected in the financial statements</li> <li>We will continue to monitor and report developments in this area.</li> </ul>
<b>Wider dimension issues and risks</b>			
5	<p><b>Best Value follow-up</b></p> <p>The Controller of Audit will monitor progress against the findings and improvement areas identified in his December 2015 follow-up report through the annual audit process</p> <p>Risk: The council is unable to demonstrate</p>	<ul style="list-style-type: none"> <li>An improvement plan will be developed and agreed by members to take forward the Statutory Report and Accounts Commission findings.</li> </ul>	<ul style="list-style-type: none"> <li>We will monitor progress against the findings and improvement areas identified in the December 2015 follow-up report and comment in our annual audit report.</li> </ul>

#	Audit Risk	Source of assurance	Audit assurance procedure
	that action has been taken to address the findings and improvement areas identified.		
6	<p><b>Financial Management</b></p> <p>The Council has agreed savings options of around £10 million in 2016/17 to meet the estimated funding gap for this year. Members recognise that achieving these savings will require significant change in the way the council operates.</p> <p>Risk: The council is unable to achieve the necessary savings.</p>	<ul style="list-style-type: none"> <li>Savings options have been agreed through the Service Choices' process which plans for estimated funding reductions by aligning the available budget with Council priorities.</li> <li>Regular budget monitoring reports on the financial position</li> </ul>	<ul style="list-style-type: none"> <li>We will monitor the council's financial position and comment in our annual audit report.</li> </ul>
7	<p><b>Workforce planning</b></p> <p>Delivering the required savings to meet the estimated future funding gaps will inevitably result in a reduction in the number of employees.</p> <p>Risk: Reduced workforce and a loss of intellectual capacity has an adverse impact on service delivery and staff morale.</p>	<ul style="list-style-type: none"> <li>The council's Redundancy Policy seeks to achieve post reductions through voluntary means as far as possible.</li> </ul>	<ul style="list-style-type: none"> <li>We will carry out local follow up work this year based on the recommendations in Audit Scotland's report, Scotland's Public Sector Workforce.</li> </ul>
8	<p><b>CHORD</b></p> <p>Our 2014/15 Report recorded that work on the Oban Bay/Harbour project had not progressed as planned and there is a risk that costs will exceed the budget on</p>	<ul style="list-style-type: none"> <li>Monthly highlight reports are completed by Project Managers covering any issues and remedial action required in terms of timescale, budget, risks etc. and reported to</li> </ul>	<ul style="list-style-type: none"> <li>work will be carried out to establish how the council is monitoring progress across all CHORD projects and the results will be reported as part of the annual audit.</li> </ul>

#	Audit Risk	Source of assurance	Audit assurance procedure
	<p>completion.</p> <p>Risk</p> <p>There is a risk that costs of the project will exceed the budget for the project.</p>	<p>Development and Infrastructure Services Executive Strategic Project Board.</p>	
9	<p><b>Argyll and Bute ADP</b></p> <p>Our report into the commissioning process that the council used, on behalf of Argyll and Bute's ADP, for community-based addiction recovery services contains a number of recommendations to the council and the ADP.</p> <p>Risk: The council and the ADP are unable to demonstrate that action has been taken to address the recommendations.</p>	<ul style="list-style-type: none"> <li>The findings from our review have been accepted by the ADP Executive and were presented to the Community Planning Partnership Management Committee on 17 June 2015.</li> <li>Our report was also considered by the council's Audit Committee on 19 June 2015 and the PRS Committee on 27 August 2015.</li> </ul>	<ul style="list-style-type: none"> <li>We will monitor progress in implementing the report's recommendations and report the results of this work as part of the annual audit.</li> </ul>
10	<p><b>Health and social care integration</b></p> <p>Argyll and Bute Integration Joint Board (IJB) was established on 18 August 2015 although services will not become operational until 1 April 2016.</p> <p>Risk: The IJB is not prepared to take on services in line with the statutory timetable.</p>	<ul style="list-style-type: none"> <li>The integration programme is on target in terms of progress towards the establishment of the Argyll &amp; Bute Health and Social Care Partnership by the 1st April 2016.</li> </ul>	<ul style="list-style-type: none"> <li>The IJB is subject to a separate audit in 2015/16. Fiona Mitchell-Knight, Assistant Director Audit Services is the appointed auditor.</li> </ul>
11	<p><b>Infrastructure Assets</b></p>	<ul style="list-style-type: none"> <li>Finance staff are aware of the new</li> </ul>	<ul style="list-style-type: none"> <li>We will review the disclosures</li> </ul>

#	Audit Risk	Source of assurance	Audit assurance procedure
	<p>The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.</p> <p>Risk: The council has not prepared the information needed to include the appropriate disclosures in 2015/16 and meet the change in accounting requirement for 2016/17.</p>	<p>requirements and the required figures are being collated.</p>	<p>relating to this standard issued but not yet adopted in the 2015/16 accounts.</p> <ul style="list-style-type: none"> <li>• We will consider the council's preparedness for the change to accounting for infrastructure assets and comment in our annual audit report.</li> </ul>