



# Argyll and Bute Council

## Audit Committee

### External Audit Progress Report



Prepared for Argyll & Bute Council  
June 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Audit Progress

## Audit Plans

1. Our Annual Audit Plan (AAP) for the 2013/14 audit was presented to the Audit Committee on 14 March 2014. The audit plan sets out what we perceive to be the key financial statement risks facing Argyll and Bute Council. Progress against our 2013/14 AAP is summarised at Appendix 1 to this progress update.

## Governance work

2. **Internal Controls.** We have completed our work on the review and testing of controls and the results will shortly be reported to officers. This work has focused on key financial systems to enable us to gain assurances over risks of material misstatement in the annual accounts.

## Financial Statements

3. **Financial statements audit 2013/14.** The timetable for completing the 2013/14 financial statements audit has been agreed with senior staff and is aligned to coincide with the key meeting dates of the Audit Committee. This work will commence shortly after 30 June 2014 with an audit opinion issued by 30 September 2014. We have already met with senior finance officers to discuss certain aspects of the council's accounts and where possible we plan to undertake some further early work.

## Performance Audit and Best value

4. In October 2013, the Controller of Audit presented a statutory report to the Accounts Commission, under Section 102(1)(b) of the Local Government (Scotland) Act 1973. The Commission made findings on the report and [the statutory report and the Commission's findings](#) were published on the 29th October 2013.
5. In its 2013 findings, the Commission expressed the need for urgent progress and requested a further report by the Controller of Audit. The follow-up audit work reviewed progress made by the council over the six-month period between the publication of the statutory report at the end of October 2013 and April 2014 and will be the subject of a separate report by our Performance Audit and Best Value Team.
6. Audit Scotland's Performance Audit Group undertake a programme of studies on behalf of the Auditor General and Accounts Commission. The findings and key messages of each study are published in a national report. Recent studies of relevance to local government in Scotland have included a review of Procurement in Councils (published April 2014) and an Overview of Local Government in Scotland (published April 2014). The council's 2014 - 2017 Assurance and Improvement Plan and the National Scrutiny Plan for Local Government will be published in early June 2014.

7. Full copies of these reports and all other national reports are available for download from the Audit Scotland website ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)).
8. **Impact reports.** In line with our strategy to support improvement through the audit process and maximise the impact of national performance reports, a local impact return relating to Health Inequalities in Scotland was submitted on 31 March 2014. The completion of these returns allows Audit Scotland to monitor the impact of recent reports by, for example, obtaining information on :
  - whether the relevant committee considered the reports
  - how the council is responding to report recommendations e.g. has an action plan been produced
  - what is the overall impact of the report e.g. has the report contributed to improvements in governance and/or financial management, improvements in service quality etc.
9. Work is also ongoing in relation to targeted follow-up work of the 2011 publication 'Arm's-Length External Organisations: Are you getting it right?' and the 2013 report 'Major capital investment in councils'.

## Technical Bulletins

10. Audit Scotland's Technical Services Unit prepares and issues Technical Bulletins (TBs) on a quarterly basis to provide auditors with guidance and information on technical developments in the quarter. Additionally, TBs are sent to audited bodies and other stakeholders to make them aware of the issues that have been notified to auditors. The most recent TB was issued in March 2014 (TB 2014/1). Key issues relating to the local authority sector are summarised at Appendix 2 for information.
11. It should be noted that the matters highlighted in Appendix 2 are not exhaustive; they highlight some of the key issues.

# Appendix 1

## 2013/14 Planned Outputs

Progress against 2013/14 annual audit plan as at 22 May 2014

Planned outputs	Target delivery date	Actual delivery date
<b>Governance</b>		
Internal audit reliance letter	31/03/2014	31/03/2014
Annual audit plan	31/03/2014	10/03/2013
Internal controls management letter	30/06/2014	
Assurance and Improvement Plan Update	31/05/2014	
<b>Financial Statements</b>		
Report to management in terms of ISA 260 (Communication of audit matters to those charged with governance)	30/09/2014	
Independent auditor's report on the financial statements	30/09/2014	
Audit opinion on charitable trusts	30/09/2014	
Audit opinion on Whole of Government Accounts	3/10/2014	
Annual report to Members	31/10/2014	
<b>Performance</b>		
Impact Return - Health inequalities in Scotland	31/03/2014	31/03/2014
Targeted follow up of performance audit: ALEOs	31/05/2014	
Targeted follow up of performance audit: Major capital investment in Councils	30/06/2014	

# Appendix 2

## Summary of Technical Bulletin issues

2014/1: March 2014

Topic	Issue
<b>Notes for Guidance</b>	<p>Audit Scotland's Technical Services Unit (TSU) has published Note for guidance 2014/1(LA) Audit of 2013/14 local authority financial statements. The TSU has also published Note for guidance 2014/3(LA) Audit of 2013/14 local authority financial statements (s106 charitable funds).</p> <p>Auditors should use these notes for guidance when planning and performing the audit of the 2013/14 local authority financial statements and 2013/14 local authority charity financial statements</p>
<b>Good practice guide on financial statements</b>	<p>CIPFA has issued Financial Statements - a good practice guide for local authorities which is intended to help local authorities reduce the clutter in their financial statements. The publication states that cutting the clutter is not something that can only be achieved at standards level, and local authorities should review their financial statements and remove any unnecessary disclosures that make them difficult to use by:</p> <ul style="list-style-type: none"> <li>• considering what information is material to the users of the accounts</li> <li>• improving the presentation of the accounts so that users can more easily identify key information.</li> </ul>
<b>Revised guidance on audit committees</b>	<p>CIPFA has issued a revised edition of Audit committees - Practical guidance for local authorities and police which sets out revised guidance on the function and operation of audit committees in local authorities.</p> <p>There have been a number of significant developments in governance and audit practice since the previous 2005 edition of the guidance which have required audit committees to adapt their remit, notably the introduction of annual governance statements. The aim of this publication is to reflect these changes and to support audit committees in performing effectively.</p>