

Aberdeen City Council

9 August 2023

Aberdeen City Council Audit, Risk and Scrutiny Committee

Town House
Broad Street
Aberdeen
AB10 1AB

ABERDEEN CITY COUNCIL Audit of 2022/23 annual accounts

Independent auditor's report

1. Our audit work on the 2022/23 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to in paragraph 8 of this letter and final review of the audited annual accounts, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 15 August 2023. The proposed reports for the council and charitable trusts are attached at [Appendix A](#) and [Appendix B](#) respectively.

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit, Risk and Scrutiny Committee's consideration our report on the audit of the council's 2022/23 annual accounts. Our Annual Audit Report covering all aspects of the 2022/23 audit will be presented to the Committee in the autumn.

Unadjusted misstatements

3. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit which are above our reporting threshold of £250,000 and request that these misstatements be corrected.

4. Appendix 2 on page 16 of the audit report sets out a schedule of unadjusted misstatements. Being less than the overall materiality level, the Chief Officer – Finance has opted not to adjust the accounts in respect of these matters. If corrected, they would reduce net expenditure by £38,000 and increase net assets in the balance sheet by the same amount.

Fraud, subsequent events and compliance with laws and regulations

5. In presenting this report to the Audit, Risk and Scrutiny Committee, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from S95 Officer

6. As part of the routine completion of our audit, we are seeking written representations from the Chief Officer – Finance as S95 Officer on aspects of the annual accounts, including the judgements and estimates made.

7. A draft letter of representation is attached at [Appendix C](#). This letter should be signed and returned to us by the Chief Officer - Finance with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding matters

8. While the audit is substantially complete, we are currently concluding a small number of matters in the following areas:

- Audit sampling of social care expenditure. This will complete our expenditure sampling across services and is undertaken to provide assurance on the validity of council expenditure.
- Reviewing the adequacy of the provisions contained in Note 35 to the annual accounts.
- Undertaking final checks to confirm that any outstanding audit queries have been satisfactorily resolved.
- Undertaking and concluding final subsequent event transaction testing by 14 August 2023. These are routine checks required to cover the period right up until the date of the independent auditor's report to ensure there are no events which might materially affect the figures in the accounts at 31 March 2023.
- A final review of the Aberdeen City Council charitable Trusts' accounts.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Aberdeen City Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Aberdeen City Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement, the council-only Loans Fund Revenue Account, Loans Fund Balance Sheet, Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the National Non-Domestic Rates Account, the Council Tax Income Account, the Common Good Fund Movement in Reserves Statement, the Common Good Fund Comprehensive Income and Expenditure Statement, the Common Good Fund Balance Sheet, the Trust Funds and Endowments Funds Account and notes to the financial statements, including significant accounting policies. 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 2022/23 (the 2022/23 Code).

In my 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 2023 and of the 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 2022/23 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Chief Officer - Finance's assessment of the ability of the council and its group to continue to adopt the going concern basis of accounting included:

- considering the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom for a council's financial statements to be prepared on a going concern basis on the assumption that the functions of the council will continue in operational existence for the foreseeable future because it can only be discontinued under statutory prescription
- considering whether the going concern disclosure in Note 1 to the financial statements gives a full and accurate description of the Chief Officer - Finance's assessment of going concern, including the identified risks and dependencies
- assessing the completeness of the going concern disclosures.

Based on the work I have performed, I 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, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

My approach to the audit

The scope of my audit of the financial statements includes:

- understanding the business of the council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide me with sufficient audit evidence as to whether the financial statements are free of material misstatement.

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) I identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the audit team. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matters	How my scope addressed this matter
<p>Management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management’s ability to override controls that otherwise appear to be operating effectively.</p> <p>Risk</p> <p>Risk of material misstatement due to fraud caused by management override of controls.</p>	<p>Audit procedures carried out included:</p> <p>Controls</p> <ul style="list-style-type: none"> Assessing the design and implementation of controls over journal entry processing. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> Assessing any changes to the methods and underlying assumptions used by management to prepare accounting estimates compared to the prior year. <p>Testing</p> <ul style="list-style-type: none"> Making inquiries of relevant officers about inappropriate or unusual activity relating to the processing of journal entries and other adjustments and substantively testing journal entries throughout the year. Evaluating any significant transactions outside the normal course of business. Confirming through substantive testing that income and expenditure transactions around the year-end have been accounted for in the correct financial year. Testing samples of accruals and prepayments. <p>Results: I am satisfied that there is no material misstatement due to management override of controls.</p>
<p>Expenditure recognition</p> <p>In line with Practice Note 10: <i>Audit of financial statements and regularity of public sector bodies in the United Kingdom</i>, most public bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. Some significant expenditure areas, including staff costs, interest</p>	<p>Audit procedures carried out included:</p> <p>Controls</p> <ul style="list-style-type: none"> Establishing and testing the operation of key financial controls. <p>Testing</p> <ul style="list-style-type: none"> Undertaking analytical procedures on expenditure streams.

<p>payments and non-cash costs such as depreciation and transactions with the integration joint board, are not considered areas of risk. However, due to the level of the council's residual expenditure (£360m of a total of £1,250m), we did not rebut it.</p> <p>Risk</p> <p>Expenditure may be misstated due to risk of fraud over expenditure recognition.</p>	<ul style="list-style-type: none"> • Testing revenue transactions, including cut-off testing, focusing on the areas of greatest risk. <p>Results: I am satisfied that there is no material misstatement due to expenditure recognition.</p>
<p>Valuation of the single entity land and buildings</p> <p>£2,247 million (2021/22 £2,239 million)</p> <p>Refer to:</p> <ul style="list-style-type: none"> • Pages 73-88: Note 1 Accounting Policies • Page 90: Note 3 Critical judgements made in applying accounting policies • Page 90-91: Note 4 Assumptions made about the future and other sources of estimation uncertainty • Pages 130-131: Note 28 Property, Plant and Equipment. <p>Risk</p> <p>Due to the rolling programme basis of valuation, there is a risk that the carrying value of assets not revalued in the year do not reflect their current value.</p> <p>Where the differences in value are likely to be significant, this increases the risk of material misstatement in the financial statements.</p>	<p>Audit procedures included:</p> <p>Controls</p> <ul style="list-style-type: none"> • Evaluating the approach that the council adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. <p>Management Experts</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the professional valuers. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> • Assessing the methodology used by the valuers by considering whether valuations were conducted in accordance with the RICS Valuation Professional Standards 'the Red Book'. • Assessing the reasonableness of valuations conducted by the professional valuers, including the use of any assumptions. <p>Testing</p> <ul style="list-style-type: none"> • Substantively testing the reconciliation between the financial ledger and the asset register, including a sample of land and building assets revalued in the year. <p>Disclosures</p> <ul style="list-style-type: none"> • Assessing the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings. <p>Results: I concluded that the current valuation of land and buildings is not materially misstated.</p>

<p>Valuation of the group pension liabilities</p> <p>£13 million, (2021/22 £127 million)</p> <p>Refer to:</p> <ul style="list-style-type: none"> • Pages 73-88: Note 1 Accounting Policies • Page 90-91: Note 4 Assumptions made about the future and other sources of estimation uncertainty • Pages 111-119: Note 22 Defined Benefit Pension Schemes • Page 191-192: Note XVI-XVII Group Pension Costs. <p>There is a degree of subjectivity in the measurement and valuation of the net pension position due to the specialist and management assumptions adopted.</p> <p>Risk</p> <p>There is a risk that the assumptions and methodologies used are unreasonable and/or any small change in the estimates used could result in material changes in the valuation.</p>	<p>Audit procedures included:</p> <p>Controls</p> <ul style="list-style-type: none"> • Assessing management’s arrangements for the provision of membership data to the actuary, together with any assumptions to calculate the pension position. <p>Management Expert</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the actuary. <p>Benchmarking Assumptions</p> <ul style="list-style-type: none"> • Through the work of an independent expert, challenging the key assumptions applied. <p>Testing</p> <ul style="list-style-type: none"> • Agreeing the data provided by the council to North East Scotland Pension Fund for use within the calculation of the scheme valuation. • Obtaining assurances from North East Scotland Pension Fund over the completeness and accuracy of data provided to the actuary. <p>Disclosures</p> <ul style="list-style-type: none"> • Considering the adequacy of the disclosures regarding the value of the pension liabilities included in the financial statements and the sensitivity of the value to the assumptions. • Assessing whether the disclosures are in accordance with the Code’s requirements. <p>Results: I concluded that the value of the pension liabilities disclosed in the financial statements at 31 March 2023 and the assumptions and methodology used in producing the valuation are reasonable.</p>
<p>The value of council bonds</p> <p>£450 million, (2021/22 £448 million)</p> <p>Refer to:</p> <ul style="list-style-type: none"> • Pages 73-88: Note 1 Accounting Policies • Page 90-91: Note 4 Assumptions about the future and other sources of estimation uncertainty • Pages 148-150: Note 38 Financial Instruments. 	<p>Audit procedures included:</p> <p>Methodology and assumptions</p> <ul style="list-style-type: none"> • Assessing the methodology and underlying assumptions used by management to prepare accounting estimates. <p>Disclosures</p> <ul style="list-style-type: none"> • Assessing whether the disclosures are in accordance with the Code’s requirements.

<p>There is a degree of subjectivity in the indexation assumptions used in the valuation of the bonds, the calculation of the effective interest rate and the associated accounting entries.</p> <p>Risk</p> <p>Small changes in these assumptions could result in material changes in the valuation.</p>	<p>Results: I concluded that the value of the bonds included in the financial statements is not materially misstated.</p>
<p>Risk of material misstatement in relation to the group accounts</p> <p>Refer to:</p> <ul style="list-style-type: none"> • Pages 73-88: Note 1 Accounting Policies • Pages 168-170 Common Good Account (Long term assets £106 million, 2021/22 £117 million) • Page 179: Note I Group Accounting Policies • Pages 178-182: Group Note II-IV Disclosure of interest in other entities • Pages 186-187: Group Note XI Group Property, Plant and Equipment (Aberdeen Sports Village £56 million, 2021/22 £33 million) • Page 190: Group Note XV Share of operating (surplus)/deficit, total assets and liabilities of Joint Ventures and Associates (Aberdeen City Integration Joint Board Net Assets £14 million, 2021/22 £26 million). <p>The value of Aberdeen Sports Village and Aberdeen Common Good Fund long term assets incorporated into the group are above group materiality.</p> <p>Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. There is a risk that the assumptions used in the valuation estimates are unreasonable.</p> <p>The council's share of Aberdeen City Integration Joint Board incorporated into the group is above group materiality.</p> <p>There is a risk that a misstatement in the Integration Joint Board's financial results</p>	<p>Aberdeen Sports Village and Aberdeen Common Good Fund - audit procedures included:</p> <p>Management Experts</p> <ul style="list-style-type: none"> • Evaluating the competence, capabilities and objectivity of the professional valuers. <p>Methodology and assumptions</p> <ul style="list-style-type: none"> • Assessing the methodology used by the valuers by considering whether valuations were conducted in accordance with the RICS Valuation Professional Standards 'the Red Book'. • Assessing the reasonableness of valuations conducted by the professional valuers, including the use of any assumptions. <p>Disclosures</p> <ul style="list-style-type: none"> • Assessing the adequacy of the group's disclosures regarding the assumptions in relation to the valuation of land and buildings. <p>Aberdeen City Integration Joint Board – audit procedures included:</p> <ul style="list-style-type: none"> • In line with ISA 600, evaluating and reviewing the work performed by the component auditor in relation to the identified risks and undertaking further work as considered appropriate. <p>Other procedures included:</p> <ul style="list-style-type: none"> • Independently agreeing balances in group accounts to supporting documentation <p>Results</p> <p>I concluded that the material Group balances are reasonable.</p>

could materially impact on the group position.	
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My application of materiality

Materiality for the single entity financial statements as a whole was set at £14.7m based on 1.5% of gross expenditure on provision of services, with performance materiality set at £9.6m and a reporting threshold of £0.25m.

Due to the level of intra-group transactions managed through the council which are eliminated on consolidation, group expenditure is not significantly different from the council's single entity expenditure and therefore I did not consider it necessary to set separate materiality values for the group financial statements.

In determining the levels of materiality to be applied, I have taken account of my cumulative knowledge and understanding of Aberdeen City Council, the specific control environment in operation during the year, and wider risks in the environment it operates in.

Responsibilities of the Chief Officer - Finance and the Audit, Risk and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Officer – Finance 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 Chief Officer - Finance 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 Chief Officer - Finance 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 council's operations.

The Audit, Risk and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my 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 Chief Officer – Finance and the Interim Chief Officer – Governance 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 Chief Officer – Finance and the Interim Chief Officer – Governance concerning the policies and procedures of the council and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my 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 my 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 my auditor's report.

Reporting on other requirements

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

I have audited the parts of the Remuneration Report described as audited. In my 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 Chief Officer - Finance 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 parts of the Remuneration Report.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my 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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Oliphant FCPFA
Audit Director
Audit Scotland
4th Floor
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Edinburgh
EH3 9DN

Appendix B: Proposed Independent Auditor's Report (Aberdeen City Council Charitable Trusts)

Independent auditor's report to the trustees of Aberdeen City Council Charitable Trusts and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Aberdeen City Council Charitable Trusts for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2023 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charities' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are 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 trustees 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 trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charities' operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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 economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector and charity sector to identify that the Local Government (Scotland) Act 1973, the Charities and Trustee Investment (Scotland) Act 2005, and The Charities Accounts (Scotland) Regulations 2006 are significant in the context of the charities;
- inquiring of the Trustees and Treasurer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the charities;
- inquiring of the Trustees and Treasurer concerning the charities' policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my 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 my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' 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 my auditor's report.

Reporting on other requirements

Other information

The trustees are responsible for the other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my 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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Anne MacDonald CA
Senior Audit Manager
Audit Scotland
Woodhill House Annexe
Westburn Road
Aberdeen
AB16 5GB

15 August 2023

Anne MacDonald is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973

Appendix C: Letter of Representation (ISA 580) - to be reproduced on client's letterhead

Michael Oliphant
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh

Dear Michael

Aberdeen City Council Annual Accounts 2022/23

1. This representation letter is provided about your audit of the annual accounts of Aberdeen City Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the corporate management team, the following representations given to you in connection with your audit of Aberdeen City Council's annual accounts for the year ended 31 March 2023.

General

3. Aberdeen City Council and I have fulfilled our statutory responsibilities for the preparation of the 2022/23 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Aberdeen City Council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (2022/23 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Aberdeen City Council and its Group at 31 March 2023 and the transactions for 2022/23.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2022/23 accounting code where applicable. Where the code does not specifically apply, I have used judgement in developing

and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Aberdeen City Council's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Aberdeen City Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Aberdeen City Council's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2023 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

11. I carried out an assessment at 31 March 2023 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2023.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2023 of which I am aware have been recognised in the annual accounts.

16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2023 of which I am aware where the conditions specified in the 2022/23 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2023. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2023 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

18. The accrual recognised in the financial statements for untaken leave at 31 March 2023 has been estimated on a reasonable basis.

19. The pension assumptions made by the actuary in the IAS 19 report for Aberdeen City Council have been considered and I confirm that they are consistent with management's own view.

20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 36 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2022/23 accounting code and IAS 37.

Fraud

22. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2022/23 accounting code. I have made available to you the identity of all the Aberdeen City Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

27. I confirm that the Aberdeen City Council has undertaken a review of the system of internal control during 2022/23 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. Other than the changes already reflected in the annual

accounts, there have been no changes in the corporate governance arrangements or issues identified, since 31 March 2023, which require to be reflected.

Group Accounts

29. I have identified all the other entities in which Aberdeen City Council has a material interest and have classified and accounted for them in accordance with the 2022/23 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Common Good Fund

30. I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good financial statements and where appropriate, common good assets in use by the Council have been assessed and accounted for in line with IAS 17.

Events Subsequent to the Date of the Balance Sheet

31. All events subsequent to 31 March 2023 for which the 2022/23 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Jonathan Belford
Chief Officer - Finance