

Aberdeen City Council

20 June 2024

Aberdeen City Council Audit, Risk and Scrutiny Committee

Town House
Broad Street
Aberdeen
AB10 1AB

ABERDEEN CITY COUNCIL Audit of 2023/24 annual accounts

Independent auditor's report

1. Our audit work on the 2023/24 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 both the council's and the charities' audited annual accounts, we anticipate being able to issue unqualified audit opinions in the respective independent auditors' reports on 27 June 2024.

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 2023/24 annual accounts and those of its charitable trusts. Our Annual Audit Report covering the wider scope aspects of the 2023/24 audit will follow next week.

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 £500,000 and request that these misstatements be corrected.

4. Appendix 1 on page 15 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 £2.444 million 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 A](#). 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 number of matters in the following areas:

- As part of our consideration of systems, we are taking assurance from the work of internal audit in respect of the care management system and the revenue budget setting process. Our review of the chief internal auditor's working papers for these areas and a substantive sample of social care invoices is in progress.
- In considering the work of the property valuers, a sample of valuations undertaken in the year is being confirmed with underlying source data.
- In concluding our work on pension estimates and verification of source data provided to the actuary, some points of clarification are being checked with the actuary.
- We are taking assurance from the work of the council's treasury advisor in respect of service concessions flexibilities. As such we are using the work of an expert which requires us to conclude an assessment. This work is being concluded.
- Awaiting outstanding evidence in respect of sampled debtors and creditors related to event and investment properties.
- Concluding our file reviews and peer review arrangements in line with our Quality Framework.
- Undertaking and concluding final subsequent event transaction testing. These are routine checks to cover the period right up until the date of the independent auditors' reports to ensure there are no post balance sheet event events which might materially affect the figures in the accounts at 31 March 2024.

Appendix A: 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 2023/24

1. This representation letter is provided about your audit of the annual accounts of Aberdeen City Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the 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 2024.

General

3. Aberdeen City Council and I have fulfilled our statutory responsibilities for the preparation of the 2023/24 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 2023/24 (2023/24 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 2024 and the transactions for 2023/24.

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 2023/24 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 2024 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 2024 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 2024.

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 2024 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 2024 of which I am aware where the conditions specified in the 2023/24 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 2024. 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 2024 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 2024 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 2023/24 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 2023/24 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 2024, 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 2023/24 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 2024 for which the 2023/24 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Jonathan Belford
Chief Officer - Finance