

South Ayrshire Council

**Report by Chief Financial Officer
to Audit and Governance Panel
of 26 March 2025**

Subject: Annual Audit Plan 2024/25

1. Purpose

1.1 The purpose of this report is to provide background to the presentation by Audit Scotland of their Annual Audit Plan 2024/25 (the Audit Plan).

2. Recommendation

2.1 It is recommended that the Panel agrees the attached Annual Audit Plan 2024/25 (Appendix 1).

3. Background

3.1 This is the third year of Audit Scotland's appointment as the Council's external auditor, which will cover the period until 2026/27 (inclusive).

4. Proposals

4.1 The Audit Plan sets out the scope of the audit along with the respective responsibilities of the auditor and the Council.

4.2 Audit Scotland have identified the following three significant risks of material misstatement to the Annual Accounts, which have the greatest impact on their planned audit approach:

4.2.1 Fraud caused by management override of controls;

4.2.2 Valuation of property, plant and equipment; and

4.2.3 Accounting for IFRS 16 Leases.

4.3 The audit goes beyond simply providing assurance on the financial statements and the Council's internal control environment. The Code of Audit Practice (the Code) requires auditors to consider the adequacy of the arrangements in place for the following four wider scope areas in audited bodies: **financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.**

4.4 Although Audit Scotland's risk assessment process did not identify any significant risks in respect of those wider scope areas, the challenging financial environment in which the Council, along with other public sector bodies, is operating in has been identified as an area of audit focus.

4.5 Audit Scotland will report not only on progress made with the Council's improvement actions arising from the auditor's 2023/24 audit work, but also on the 2024/25 Best Value thematic review covering service transformation.

4.6 Audit Scotland's reporting arrangements and planned audit outputs are summarised in Exhibit 5 of the Audit Plan (Appendix 1).

5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6. Financial Implications

6.1 There are no financial implications arising from of this report.

7. Human Resources Implications

7.1 There are no human resource implications arising from this report.

8. Risk

8.1 Risk Implications of Adopting the Recommendations

8.1.1 There are no risks associated with adopting the recommendation. This paper is based on Audit Scotland's analysis of the risks facing the Council.

8.2 Risk Implications of Rejecting the Recommendations

8.2.1 If the recommendation is rejected, then detailed discussion and negotiation will be required between the Council and Audit Scotland in order to agree a mutually acceptable audit plan for 2024/25.

9. Equalities

9.1 The proposals in this report do not require to be assessed through an Integrated Impact Assessment.

10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Limited consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

Background Papers **None**

Person to Contact **Tim Baulk, Chief Financial Officer**
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612620
E-mail tim.baulk@south-ayrshire.gov.uk

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