

REPORT TO: SCRUTINY COMMITTEE – 26 APRIL 2023

**REPORT ON: DUNDEE CITY COUNCIL – AUDIT SCOTLAND ANNUAL AUDIT PLAN
2022/23**

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT ON: 120-2023

1 PURPOSE OF REPORT

To submit to elected members the above report that describes how Audit Scotland will deliver the audit of Dundee City Council for the year ending 31 March 2023.

2 RECOMMENDATIONS

It is recommended that elected members:

- i) note the information included in the attached report.
- ii) note that the outcome of the 2022/23 audit will be reported to the Scrutiny Committee on 26 October 2023.
- iii) note that the Council's performance in meeting its Best Value duties will be reported to the Accounts Commission in November 2023.

3 FINANCIAL IMPLICATIONS

The agreed external audit fee for 2022/23 is £419,220 which is an increase of £46,720 (12.5%) from 2021/22. Provision for the external audit fee has been made in the Corporate Services revenue budget. There is also an additional audit fee of £6,990 for the audit of the Council's registered charities, an increase of £2,210. The main reason for the increase in the charities' audit fee is the audit of the additional set of accounts required for the Fleming Trust, following its registration with the Office of the Scottish Charity Regulator (OSCR). There are no further direct financial implications arising from this report.

4 MAIN TEXT

4.1 Audit Scotland has been appointed as external auditor for Dundee City Council for five years from 2022/23 to 2026/27 inclusive. They have produced the above report outlining the planned approach to the audit of Dundee City Council for the year ending 31 March 2023. The document sets out the statutory and professional responsibilities in terms of the Code of Audit Practice and also outlines their key audit objectives.

4.2 The report is divided into the following sections:

- Introduction (pages 3-4)
- Financial Statements Audit Planning (pages 5-15)
- Wider Scope and Best Value (pages 16-17)
- Reporting Arrangements, Timetable and Audit Fee (pages 18-20)
- Other Matters (page 21)

4.3 In paragraph 42 on page 17 of the report, the external auditor advises that the audit of Best Value is fully integrated within their annual audit work. In addition, thematic reviews will be conducted as directed by the Accounts Commission.

- 4.4 Dundee City Council has been selected for a Controller of Audit Report to the Accounts Commission in November 2023. This report will consider the council's performance in meeting its Best Value duties.
- 4.5 Exhibit 2 on pages 7 to 10 of the report sets out the risks, sources of assurance from management and the further audit procedures that Audit Scotland plan to perform to gain assurances over these risks. The conclusions from this work will be report within the 2022/23 Annual Audit Report.
- 4.6 In paragraphs 40 and 41 on page 16 of the report, the external auditor notes two other areas of audit focus which will be covered as part of the 2022/23 audit:
- Climate Change
 - Cyber Security

5 POLICY IMPLICATIONS

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6 CONSULTATIONS

The Council Leadership Team were consulted in the preparation of this report and agreed with its contents.

7 BACKGROUND PAPERS

None.

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

4 APRIL 2023

Dundee City Council

Annual Audit Plan 2022/23



 AUDIT SCOTLAND

Prepared for Dundee City Council
March 2023

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of Dundee City Council (the council). The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of the 2022/23 annual accounts, and provision of an Independent Auditor's Report
- an audit opinion on the other statutory information published within the annual accounts including the Management Commentary, Annual Governance Statement and the audited part of the Remuneration Report
- consideration of arrangements in relation to wider scope areas
- consideration of Best Value arrangements
- providing assurance on the Housing Benefit Subsidy Claim and Non-Domestic Rates Return
- review of the council's arrangements for preparing and publishing statutory performance information.

Audit Appointment

2. We are pleased to be appointed as the external auditor of Dundee City Council for the period 2022/23 to 2026/27 inclusive.

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to the council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. We also attend meetings of the Scrutiny Committee and actively participate in discussions relevant to the audit. In

so doing we intend to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and Audited Body

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the council. Key responsibilities are summarised below.

Auditor responsibilities

7. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

8. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at the council. In doing this, we aim to support improvement and accountability.

Council responsibilities

9. The council is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. The council also has responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

11. The audit of the annual accounts does not relieve management or the Scrutiny Committee, as those charged with governance, of their responsibilities.

Communication of fraud or suspected fraud

12. In line with ISA 240, in presenting this plan to the Scrutiny Committee we seek confirmation from those charged with governance of any instances of actual, suspected or alleged fraud that should be brought to our attention. Should members of the committee have any such knowledge or concerns relating to the risk of fraud within Dundee City Council, we invite them to communicate this to the appointed auditor for consideration. Similar assurances will be sought as part of the audit completion process.

Financial statements audit planning

Introduction

13. The annual accounts are an essential part of demonstrating the council's stewardship of resources and its performance in the use of those resources.

14. Our approach to the audit of the 2022/23 financial statements has been designed to support the appointed auditor's opinion as to whether the annual accounts give a true and fair view of the council's finances for the year ended 31 March 2023 and have been properly prepared in accordance with International Financial Reporting Standards and the Code of Practice on Local Authority Accounting in the UK 2022/23.

Materiality

15. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2022/23 audit

16. We assess materiality at different levels as described in [Exhibit 1](#) on page [6](#) which sets out the 2022/23 materiality values for Dundee City Council's group.

Exhibit 1**2022/23 Materiality levels for Dundee City Council's group**

Materiality	Amount
<p>Planning materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure based on the audited financial statements for 2021/22.</p>	£18 million
<p>Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 50% of planning materiality.</p>	£9 million
<p>Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been capped at the maximum amount allowable under Audit Scotland's audit approach.</p>	£0.25 million

Source: Audit Scotland

Significant risks of material misstatement and other risks of material misstatement for the 2022/23 financial statements

17. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

18. Our risk assessment draws on our cumulative knowledge and consideration of its major transaction streams, key systems of internal control and risk management processes. It is also informed by our discussions with management, meetings with internal audit, attendance at committees and review of other relevant information.

19. Based on our risk assessment process, we identify significant risks of material misstatement to the financial statements. These are the risks which have the greatest impact on our planned audit procedures. We also identify any other non-significant risks of material misstatement that require a specific audit response over and above our standard audit procedures. [Exhibit 2](#) on page [7](#) summarises the nature of these risks, the sources of assurance from management arrangements, and the further audit procedures we plan to perform to gain assurance over these risks.

Exhibit 2**Significant and non-significant risks of material misstatement for the 2022/23 financial statements**

Nature of Risk	Sources of assurance	Planned audit response
Significant risks of material misstatement		
<p>1. Risk of material misstatement due to fraud caused by 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>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Make enquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantively test income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Test accounting accruals and prepayments focusing on significant risk areas.
<p>2. Estimation in the valuation of Other Land and Buildings (OLB)</p> <p>The valuations of OLB assets are significant estimates. Valuations are based on specialist and management assumptions and changes in</p>	<ul style="list-style-type: none"> • Valuations are carried out by the council's Royal Institute of Chartered Surveyors (RICS) registered valuers, in accordance with the RICS Valuation Global Standards (Red Book), effective from 31 January 2020, 	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Complete a walkthrough of the valuation process for OLB to obtain an understanding of the

Nature of Risk	Sources of assurance	Planned audit response
<p>these can result in material changes to valuations.</p> <p>All OLB assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of OLB.</p>	<p>incorporating the IVSC International Valuation Standards. Application of the Global Standards are carried out with reference to the RICS Valuation – Global Standards 2017 jurisdiction guide: UK, 1st Edition.</p> <ul style="list-style-type: none"> • The revaluation exercise is also carried out in accordance with the recommendations of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”). • Any subjectivity is applied within the parameters of professional standards and the analysis of relevant empirical evidence and its application thereof. 	<p>process, including the methodologies and assumptions applied.</p> <ul style="list-style-type: none"> • Obtain an understanding of the management’s involvement in the valuation process to assess if appropriate oversight has occurred. • Test the asset register records against the annual valuation report to ensure asset valuations and useful lives are accurately reflected. • Sample testing of valuations and lives of individual assets revalued during 2021/22, and agreement of related accounting entries. • Examine management’s assessment of fair value of assets not subject to full revaluation in 2022/23. We will critically assess if this is based on expert valuer’s opinion/ and assess the appropriateness of any assumptions.
<p>3. Estimation in the valuation of Dwellings</p> <p>The valuations of dwellings are significant estimates. Valuations are based on a specialist beacon approach and management assumptions, changes in which can result in material changes to valuations.</p> <p>Dwellings were last revalued in 2018/19 as part of the council’s 5 year rolling programme. However, the value may also change year on year, and it is important that the council ensures the financial statements accurately reflect any material movements in the value of dwellings.</p>	<ul style="list-style-type: none"> • Use of clearly defined methodologies and procedures including experts, as appropriate, when making significant estimations and judgements. 	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Complete a walkthrough of the valuation process for OLB to obtain an understanding of the process, including the methodologies and assumptions applied. • Obtain an understanding of the management’s involvement in the valuation process to assess if appropriate oversight has occurred. • Examine management’s assessment of fair value of assets not subject to full

Nature of Risk	Sources of assurance	Planned audit response
		<p>revaluation in 2022/23. We will critically assess if this is based on expert valuer's opinion/ and assess the appropriateness of any assumptions.</p>
<p>Other non-significant risks of material misstatement</p>		
<p>4. Estimation in the valuation of pension assets and liabilities</p> <p>Actuarial estimates are a complex combination of liabilities over significant future periods based on life expectancy, CPI growth and discounting (based on corporate bond rates).</p> <p>Assets are based on an individual employer body's share of assets at the last triennial valuation. Roll forward adjustments are provided to members data and to asset valuations.</p> <p>There is a risk that small changes in the assumptions used can lead to large changes in the resulting valuations resulting in material misstatement in the annual accounts.</p>	<ul style="list-style-type: none"> • Use of professional actuaries appointed by the Pension Fund to value pension adjustments required by IAS19. • Actuarial valuations are reviewed by qualified finance staff for reasonableness including confirmation of the accuracy of the source data used to produce them. 	<ul style="list-style-type: none"> • Assess the scope, independence and competence of the professionals engaged in providing estimates for pensions. • Review the appropriateness of actuarial assumptions and results including comparison with other councils and the pension fund as a whole. • Establish officers' arrangements for ensuring the reasonableness of professional estimations and the accuracy of information provided to the actuary by the council.
<p>5. Estimation in PPP/DBFM/SCA assets</p> <p>The council has acquired assets under PPP and DBFM contracts, and service concessionary arrangements, with a fair value of £187 million at 31 March 2022. The accounts also include amounts due to contractors under these contracts totalling £129 million.</p> <p>Unitary charge payments to contractors require to be divided into the service and construction</p>	<ul style="list-style-type: none"> • Financial modelling and advice in connection with the accounting treatment and required disclosures for PFI and Similar Contracts. 	<ul style="list-style-type: none"> • Obtain financial models and assess them for reasonableness, based on whether they have been updated to reflect current unitary charges. • Determine management's processes for updating the models to reflect the future impact of recent changes in RPI/CPI, based on the requirements of the original contract indexation terms.

Nature of Risk	Sources of assurance	Planned audit response
<p>elements using estimation techniques.</p> <p>There is a risk of misstatement in the associated liability if inappropriate assumptions have been made, particularly given recent changes to RPI/CPI and associated indices.</p>		

Source: Audit Scotland

20. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, there is a presumed risk of fraud over the recognition of revenue. We have considered the risk over income recognition and the risk of fraud over expenditure (in accordance with *Practice Note 10 (Audit of Financial Statements and Regularity of Public Sector Bodies in the UK)*).

21. We have rebutted the presumption that a risk of material misstatement exists, with the exception of management override of controls, as detailed at point 1 in [Exhibit 2](#) above. Our assessment is on the basis that:

- there are generally no incentives for staff to commit fraudulent financial reporting
- a significant portion of the council's income comes from government grants and contributions that can be readily agreed to funding letters
- most expenditure is in low-risk areas where individual transactions are well-controlled (for example salaried staff costs in a well-defined grading system) and individual transactions are relatively small in scale
- evidence of external fraud from counter fraud services and the National Fraud Initiative does not indicate material risks
- experience in the sector, including a review of past misstatements reported by the external auditor, does not indicate a significant risk.

22. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Revisions to ISA (UK) 315 on auditors' responsibility to identify and assess the risks of material misstatement

23. The revised International Standard on Auditing (UK) 315 includes a revised requirement for auditors to understand a body's use of IT, as part of our understanding of the wider control environment, and to consider the related risks.

24. As part of our 2022/23 audit planning work, we will undertake an assessment of the council's IT systems to obtain an understanding of the use of IT in financial reporting. This will consider the nature and characteristics of the council's IT applications and IT infrastructure.

25. Any risks of material misstatement identified from our assessment of the council's IT systems and infrastructure will be communicated to management and reflected in our approach to the audit of the 2022/23 financial statements.

Group Consideration

26. As group auditors, we are required under International Standard on Auditing (ISA) (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

27. The council has a group which comprises component entities, including subsidiaries, associates and joint ventures. Dundee City IJB is the only significant component and Audit Scotland is also the appointed auditor to both the IJB and NHS Tayside. We will undertake work to gain assurance over the funding and expenditure (which is taken from financial reports of the council and NHS Tayside). The audits of the financial information of some of the other components are performed by other auditors. We will obtain sufficient appropriate audit evidence in relation to the consolidation process, including analytical review and group auditor assurances for significant components, on which to base our group audit opinion.

Audit of Management Commentary, Annual Governance Statement, and audited part of the Remuneration Report

28. In addition to the appointed auditor's opinion of the financial statements, the Accounts Commission prescribes that the appointed auditor should provide opinions as to whether the Management Commentary, Annual Governance Statement, and audited part of the Remuneration Report, have been compiled in accordance with the appropriate regulations and frameworks and are consistent with the financial statements.

29. To inform these opinions we will consider whether the disclosures within each statement comply with the requirements of the applicable guidance and confirm that relevant information reflects the contents of the financial statements and other supporting documentation.

30. Based on our knowledge of the audit, and the established procedures in place to produce these statements, we have not identified any specific risks to be communicated to those charged with governance.

Audit of the trusts registered as Scottish charities

31. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 Regulations require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland)

Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the Council are sole trustees, irrespective of the size of the charity.

32. For the year end 31 March 2022 elected members of Dundee City Council were sole trustees for 6 trusts registered as Scottish charities, reported in 3 sets of annual financial statements, with total assets of around £6.0 million. The financial statements for each of these trusts were prepared on a receipts and payments basis as permitted by the 2006 Regulations for trusts of this size and complexity.

Fleming Trust

33. Fleming Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the Trust at 31 March 2022 was £8.5 million.

34. During 2022/23 the council, as sole trustee, registered the Trust with the Office of the Scottish Charity Regulator (OSCR). As a result, a full and separate audit and independent auditor's report will be required for this trust from the year ended 31 March 2023. Due to the size and asset base of this trust, the 2006 Regulations require the annual accounts to be prepared on an accruals basis in accordance with the Charities Statement Of Recommended Practice (SORP).

Materiality levels for the 2022/23 audit of trusts registered as Scottish charities

35. Materiality levels for the various trusts are set out in [Exhibit 3](#) on page [13](#). In each case, different levels of materiality have been for balances and income and expenditure transactions due to the disparity in values between the two. Materiality levels have not been set for the Dundee Trust due to the expectation that there are no balances or transactions for this Trust in 2022/23.

Exhibit 3

2022/23 Materiality levels for charitable trusts

Materiality	Dundee City Council Charitable Trusts	Lord Provost Charity Fund	Fleming Trust
Overall materiality levels based on net assets value as at 31 March 2022			
Planning materiality: 2% of net assets	£120,000	£900	£171,000
Performance materiality: 75% of planning materiality	£90,000	£675	£128,000
Reporting threshold: 5% of planning materiality	£6,000	£45	£9,000
Lower materiality levels based on gross income for year ended 31 March 2022			
Planning materiality: 2% of gross income	£800	£36	£4,000
Performance materiality: 75% of planning materiality	£600	£27	£3,000
Reporting threshold: 5% of planning materiality	£40	£2	£200

Source: Audit Scotland

Significant risks and other risks of material misstatement to the annual accounts of the charitable trusts

36. Based on our risk assessment process, we identify significant risks of material misstatement to the financial statements of the charitable trusts. These are the risks which have the greatest impact on our planned audit procedures. We also identify any other non-significant risks of material misstatement that require a specific audit response over and above our standard audit procedures. [Exhibit 4](#) on page [14](#) summarises the nature of these risks, the sources of assurance from management arrangements, and the further audit procedures we plan to perform to gain assurance over these risks. The risks identified are all significant, no further non-significant risks relating to the charitable trusts were identified.

Exhibit 4**Significant risks of material misstatement for the 2022/23 charitable trust annual accounts**

Nature of Risk	Sources of assurance	Planned audit response
Significant risk of material misstatement for all charitable trusts annual accounts		
<p>1. Risk of material misstatement due to fraud caused by 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>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantively test income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Test accounting accruals and prepayments focusing on significant risk areas. (<i>Fleming Trust only as other trust accounts prepared on a receipts and payments basis</i>)
Additional significant risks of material misstatement for the Fleming Trust annual accounts		
<p>2. First time preparation of Fleming Trust annual accounts on an accruals basis</p> <p>There is a risk that the information required to prepare annual accounts to on an accruals basis in accordance with the Charities Statement Of Recommended Practice (SORP) 31 March 2023, including the opening balances figures, will be incomplete or unavailable.</p>	<ul style="list-style-type: none"> • Management will prepare accounts in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of The Charities Accounts (Scotland) Regulations 2006, and Financial Reporting Standard 102. • Prior year accounting records will be reviewed to identify opening 	<ul style="list-style-type: none"> • Review accounts presented for audit against the requirements of the Charities Accounts regulations to identify any areas of non-compliance. • Review and test opening balances with a focus on significant risk areas.

Nature of Risk	Sources of assurance	Planned audit response
	figures for relevant balances.	
<p>3. Valuation of dwelling assets</p> <p>Management has still to determine its accounting policy for valuing the dwelling assets as at 31 March 2022. There is a risk that appropriate valuations can not be obtained and reflected in the annual accounts.</p>	<ul style="list-style-type: none"> • Management are in the process of agreeing a valuation methodology for dwellings that satisfies the requirements of Financial Reporting Standard 102. This will be agreed with external audit prior to the production of the 2022/23 accounts. 	<ul style="list-style-type: none"> • Review the valuation methodology adopted for dwellings to ensure this complies with the requirements of Financial Reporting Standard 102. • Review and test dwellings balances to confirm these accurately reflect the valuation method adopted.

Source: Audit Scotland

Wider Scope and Best Value

37. The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

38. In summary, the four wider scope areas cover the following:

- **Financial management** means having sound financial control processes. We will consider these arrangements and comment on financial management in our Annual Audit Report.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit and comment on the 2022/23 financial position and sustainability in our Annual Audit Report.
- **Vision, leadership and governance** – we will conclude on the arrangements in place to deliver the council’s vision, strategy and priorities. We also consider the effectiveness of the governance arrangements.
- **Use of resources to improve outcomes** – audited bodies must make best use of their resources to meet stated outcomes and improvement objectives. We will consider how the council demonstrates economy, efficiency and effectiveness through the use of financial and other resources.

Wider scope risks

39. Our planned work on our wider scope responsibilities is risk based and proportionate. We have not identified any additional local wider scope risks for the 2022/23 audit of Dundee City Council.

Climate Change

40. The Auditor General and Accounts Commission are developing a programme of work on climate change. In 2022/23, we will gather information on the council’s arrangements for responding to climate change covering areas such as the development of climate change strategies and the monitoring and reporting of progress against targets for reducing emissions.

Cyber Security

41. As noted in paragraph [24.](#), we are undertaking a wider review of ICT systems and in 2022/23, we will consider the council’s arrangements for managing and mitigating cyber security risks.

Best Value

42. Under the [Code of Audit Practice 2021](#), the audit of Best Value in councils is fully integrated within our annual audit work.

43. Best Value at the council will be assessed comprehensively over the period of the audit appointment and will include an annual evaluation of the council's approach to demonstrating improvement in its services and public performance reporting. We will also follow up findings reported previously on Best Value to assess the pace and depth of improvement. This work will be integrated within the local audit.

44. In addition to our annual work on Best Value we will conduct thematic reviews as directed by the Accounts Commission. In 2022/23 the thematic review across the sector will be on the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022. Our conclusions and judgements will be reported in a separate report to management and summarised in our Annual Audit Report.

45. At least once every five years, the Controller of Audit will report to the Accounts Commission on the council's performance in meeting its Best Value duties. The first year of the programme will be from October 2023 to August and will cover the councils listed in [Exhibit 5](#).

Exhibit 5

Schedule of Controller of Audit reports to the Accounts Commission for 2023 and 2024

South Ayrshire Council (October 2023)	Dundee City Council (November 2023)
West Dunbartonshire Council (December 2023)	Orkney Islands Council (January 2024)
Dumfries and Galloway Council (February 2024)	Clackmannanshire Council (May 2024)
Moray Council (June 2024)	Falkirk Council (August 2024)

Source: Audit Scotland

46. As shown in [Exhibit 5](#), Dundee City Council has been selected for a Controller of Audit Report to the Accounts Commission in November 2023. Therefore, the findings from our Best Value thematic review will be considered by the Commission at that meeting. The external audit team will attend the meeting with the Controller of Audit to answer the Commission's questions on our findings and conclusions, and management and elected members from the council will be able to observe the meeting.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

47. Audit reporting is the visible output for the annual audit. This Annual Audit Plan, the other outputs detailed in [Exhibit 6](#), and any other outputs on matters of public interest, will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

48. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy, prior to the issue and publication of the final reports.

49. We will provide an independent auditor's report (audit certificate) to the council and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the council and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

50. [Exhibit 6](#) outlines the target dates for our planned audit outputs.

Exhibit 6 2022/23 Audit outputs

Audit Output	Target date	Scrutiny Committee Date
Annual Audit Plan	31 March 2023	26 April 2023
Best Value Thematic Report	31 August 2023	27 September 2023
Independent Auditor's Report	25 October 2023	25 October 2023
Annual Audit Report	25 October 2023	25 October 2023

Source: Audit Scotland



51. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to 'aim to approve the audited accounts for signature no later than 30 September immediately following the financial year to which the accounts relate' and that the signed accounts 'must be published no later than 31 October'. Due to the legacy of the late completion of prior year audits due to Covid-19 and ongoing resourcing challenges within Audit Scotland, we are unable to complete the council's audit by the 30 September but aim to have it completed in time to publish

the audited accounts by 31 October. We acknowledge that this planned timetable is determined by the availability of the audit process and not by the council, which proposes to present unaudited accounts for audit by the 30 June 2023.

Timetable

52. To support an efficient audit, it is critical that a timetable is agreed with management for the production and audit of the annual accounts. A proposed timetable for the audit that reflects our discussions with management is included at [Exhibit 7](#).

Exhibit 7 Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by Scrutiny Committee as those charged with governance	28 June 2023
Latest submission date for unaudited annual accounts with complete working papers package to external audit	By 30 June 2023
Proposed date for financial statements clearance meeting	4 October 2023
Issue of Proposed Annual Audit Report to those charged with governance (including Letter of Representation and proposed independent auditor's report)	11 October 2023
Agreement of audited annual accounts (council and trusts) for consideration by the Scrutiny Committee	11 October 2023
Scrutiny Committee meeting to consider Proposed Annual Audit Report and approve and sign audited annual accounts	25 October 2023
Independent auditor's report certified by appointed auditor	26 October 2023

Source: Audit Scotland

53. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality.

54. We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Audit fees

Dundee City Council

55. In determining the audit fee for Dundee City Council, we have taken account of the risk exposure of the council and the planned management assurances in place. The proposed fee for the 2022/23 audit is £419,220 (£372,500 in 2021/22), an increase of 12.5 per cent.

56. Fees have increased in 2022/23 and this reflects the current audit market and the rising costs in delivering high quality audit work. These include increased regulatory expectations and a widening in the scope of audit work.

57. In setting the fee we have assumed that the council has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee also assumes there will be no major change in respect of the scope of the audit during the year. Where our audit cannot proceed as planned, a supplementary fee may be levied.

Charitable trusts

58. The proposed fee for the audit of the charitable trusts is £6,990 (£4,780 in 2021/22). £478 (10 per cent) of this fee increase relates to the increased costs of completing the audits of the three continuing charitable trusts that are administered by the council. The rest of the 2022/23 fee reflects the requirement for us to audit an extra set of accounts for Fleming Trust, as explained at paragraph [33](#). This fee has been set based on our expectations of the additional work that will be required in the first year to address the specific risks relating to that trust, as set out in [Exhibit 4](#). We have advised management that this is an estimate of our audit costs.

59. If the actual work required to audit the Fleming Trust annual accounts exceeds this, or where any of our audits cannot proceed as planned, then an additional audit fee may be levied.

Other matters

Internal audit

60. It is the responsibility of the council to establish adequate internal audit arrangements. The council's internal audit function is provided by its internal audit section, which since October 2022 has been led by a Chief Internal Auditor on a shared basis with Angus Council.

61. While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

62. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

63. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual '*fit and proper*' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

64. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. The appointed auditor for Dundee City Council is Brian Howarth, Audit Director and for the charitable trusts it is Richard Smith, Senior Audit Manager. We are not aware of any such relationships pertaining to the audit of the council or the charitable trusts.

Audit Quality

65. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives. Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

66. ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

67. Audit Scotland is committed to delivering high quality audits. 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 2021](#) (and supplementary guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

68. 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 welcome feedback at any time, and this may be directed to the appointed auditor.

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Dundee City Council

Annual Audit Plan 2022/23

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