

**REPORT TO: SCRUTINY COMMITTEE – 27 APRIL 2022**

**REPORT ON: DUNDEE CITY COUNCIL – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2021/22**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT ON: 123-2022**

**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 2022.

**2 RECOMMENDATIONS**

It is recommended that elected members:

- i) note the information included in the attached report.
- ii) note that the outcome of the 2021/22 audit will be reported to the Scrutiny Committee on 26 October 2022.

**3 FINANCIAL IMPLICATIONS**

The agreed external audit fee for 2021/22 is £372,500 which is an increase of £7,530 (2.1%) from 2020/21. Provision for the agreed external audit fee has already been made in the Corporate Services revenue budget. There is also an additional audit fee of £4,780 for the audit of the Council's three registered charities (unchanged from 2020/21). There are no further direct financial implications arising from this report.

**4 MAIN TEXT**

4.1 Following Audit Scotland's appointment as external auditor for Dundee City Council for five years from 2016/17 (and subsequent one-year extension), they have produced the above report outlining the planned approach to the audit of Dundee City Council for the year ending 31 March 2022. 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)
- Annual Accounts Audit Planning (pages 5-11)
- Audit Dimensions and Best Value (pages 12-17)
- Reporting Arrangements, Timetable and Audit Fee (pages 18-19)
- Other Matters (pages 20-21)

4.3 In paragraphs 2 and 3 on page 3 of the report, the external auditor notes the significant and continuing impact of Covid-19 on public services, public finances and also on the audit approach in the public sector. The 2021/22 audit planning guidance sets sign-off deadlines for all local government audits of the end of October 2022. This is a month later than the pre-Covid deadlines for audit sign-off and is the same deadline as for the 2020/21 audits. The outcome of the 2021/22 audit will be reported to the Scrutiny Committee on 26 October 2022.

4.4 In paragraph 12 on page 4 of the report, the external auditor notes that audit appointments are usually for five years but were extended to six years due to Covid-19 and that 2021/22 is the final year of Audit Scotland's current appointment. The Council has recently been advised that Audit Scotland have been provisionally appointed as external auditor for the five-year period 2022/23 to 2026/27.

4.5 In paragraph 39 on page 13 of the report, the external auditor advises that they have reviewed the wider dimensions of public sector audit work applicable to the Council and have identified the following wider Code of Audit Practice risks:

- Financial Sustainability
- Covid-19 Service Pressures
- Capital Slippage

Exhibit 5 on pages 13 and 14 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 2021/22 Annual Audit Report.

4.6 In paragraphs 44 to 53 on pages 15 to 17 of the report, the external auditor notes three other areas of audit focus which will be covered as part of the 2021/22 audit:

- Drugs Commission
- Mental Health Services
- Asset Infrastructure (Roofing Repairs Issue and Olympia Swimming Pool Closure)

## **5 POLICY IMPLICATIONS**

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

## **6 CONSULTATIONS**

The Council Management 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**

**8 APRIL 2022**

# Dundee City Council

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for Dundee City Council  
March 2022

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# Introduction

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## Summary of planned audit work

1. This document summarises the work plan for our 2021/22 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 2021/22 annual accounts to support our opinions on the financial statements
- work to support our audit opinions on the other statutory information published within the 2021/22 annual accounts, including the Management Commentary, Annual Governance Statement and Annual Remuneration Report
- providing an opinion on the Housing Benefit Subsidy Claim, Non-Domestic Rates Income return and the Whole of Government Accounts return for 2021/22
- review the council's participation in the National Fraud Initiative
- consideration of arrangements in relation to the four audit dimensions that frame the wider scope of public sector audit: financial management, financial sustainability, governance and transparency, and value for money
- consideration of the arrangements in place to deliver Best Value.

## Impact of Covid-19

2. The coronavirus (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required. Any such changes will be communicated to the council at the earliest opportunity available.

## Adding value

4. 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. 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 the council

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and the council. Key responsibilities are summarised below.

### Auditor responsibilities

6. 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.

7. 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 arrangements within the council to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.

### Council responsibilities

8. The council has responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective governance arrangements that enable them to deliver their objectives. The council is also responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

9. The Executive Director of Corporate Services, as Section 95 Officer, is responsible for the administration of financial affairs. The Scrutiny Committee has been delegated responsibility for the oversight of internal and external audit.

10. 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

11. In line with the auditing standards, 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 or council have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration.

### Managing the transition to 2022/23 audits

12. Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.



# Annual accounts audit planning

## Audit of the annual accounts

**13.** Our approach to the audit of the 2021/22 annual accounts, including the 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 2022, and have been properly prepared in accordance with International Financial Reporting Standards and the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

## Materiality

**14.** Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether 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 2021/22 audit

**15.** We assess materiality at different levels, as detailed in [Exhibit 1](#) along with the materiality levels set for the 2021/22 audit of the council.

## Exhibit 1

### Materiality levels for the 2021/22 audit

Materiality	Amount
<b>Planning materiality:</b> This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest audited financial statements for 2020/21.	£7.544 million
<b>Performance materiality:</b> This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have set performance materiality at 60% of planning materiality.	£4.526 million
<b>Reporting threshold:</b> 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 £0.250 million as this is the maximum amount allowable under Audit Scotland's audit approach guidance.	£0.250 million

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**16.** Our risk assessment draws on our cumulative knowledge of the council, 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 a review of other relevant information.

**17.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are the risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of these risks, the sources of assurance from management and the further audit procedures we plan to perform to gain assurance over the risks.

### Exhibit 2

#### 2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of management override of controls</b></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"> <li>• Assess the design and implementation of controls over journal entry processing.</li> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Detailed testing of journal entries, with a focus on significant risk areas, including year-end and post-close down entries.</li> <li>• Testing of accounting estimates, assessing any changes to the methods and underlying assumptions used to prepare these compared to the prior year.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>2. Estimation in the valuation of land and buildings.</b></p> <p>The council held land and buildings with a net book value of over £1.5 billion at 31 March 2021.</p> <p>Land and buildings are revalued on a five-year rolling basis, with an internal valuer completing all valuations.</p> <p>The valuations are based on specialist and management assumptions and changes in these assumptions can result in material changes to the valuations produced.</p> <p>As there is a significant degree of subjectivity in the land and buildings valuations, these represent an increased risk of material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> <li>• Revaluations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors.</li> <li>• Revaluations carried out for all assets as part of rolling revaluation programme.</li> <li>• Detailed working papers retained to support asset reviews and impairments.</li> <li>• Confirmation from valuer that asset categories not valued in year are not materially misstated.</li> <li>• Supporting evidence will be provided to demonstrate that any deviation from the RICS standard valuation methodology could not have resulted in the related assets being materially misstated.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the information provided to the valuer to assess for completeness.</li> <li>• Evaluate the competence, capabilities, and objectivity of the professional valuer.</li> <li>• Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>• Critically assess the approach the council has adopted to assess the risk that assets not subject to valuation could be materially misstated and consider the robustness of that approach.</li> <li>• Test the reconciliation between the financial ledger and the asset register.</li> <li>• Critically assess the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings.</li> <li>• Review the evidence provided to demonstrate that any deviation from the RICS standard valuation methodology could not have resulted in the assets being materially misstated and conclude as to whether we agree with this assessment.</li> </ul>

Source: Audit Scotland

## Consideration of the risks of fraud in the recognition of income and expenditure

**18.** As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted this presumed risk in 2021/22 as, while the possibility of fraud exists, we do not judge it to be a significant risk due to the nature of the majority of the council's income streams, namely government funding and grants.

**19.** In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to income recognition. We have considered each of the council's expenditure streams in turn, and based on our knowledge of the council, prior year considerations, and our risk assessment to date, we do not consider these to be susceptible to significant risk of material misstatement due to fraud.

**20.** We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures. Our audit testing will maintain an oversight of any unusual transactions or accounting entries.

## Other areas of audit focus

**21.** As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. These areas of specific audit focus are:

- **Pension liability:** Due to the material value and significant assumptions used in the calculation of the liability and pension disclosures there is a risk of material misstatement.
- **Estimates and Judgements:** Due to the subjectivity of the estimation and judgements for specific amounts provided in the accounts covering areas such as provisions for legal cases (including equal pay claims) and valuation of fair value of investments; there is a risk of material misstatement.

**22.** While these areas require specific audit focus, based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks.

## Group Consideration

**23.** As group auditors, we are required under International Standard on Auditing (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.

**24.** The council has a group which comprises component entities, including subsidiaries, associates and joint ventures. The audits of the financial information of some of the components are performed by other auditors. We plan to place reliance on the work of the component auditors. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

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

**25.** 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 the audited part of the Annual Remuneration Report, have been compiled in accordance with the appropriate regulations and frameworks and are consistent with the financial statements.

**26.** 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, including:

- **Management Commentary:** Performance and governance information reported to council committee's and published during the year.
- **Annual Governance Statement:** Review of the Local Code of Corporate Governance, including its completeness and accuracy; assessment of the council's arrangements against the new CIPFA Financial Management Code; and Internal Audit's Annual Assurance Report.
- **Annual Remuneration Report:** Payroll data and HR reports.

**27.** 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 in relation to the audit of the Management Commentary, Annual Governance Statement, and audited part of the Annual Remuneration Report.

## Whole of Government Accounts

**28.** The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council is required to provide information in a WGA return and external auditors are required to review and provide assurance on the WGA return.

**29.** As Her Majesty's Treasury have not yet provided local government bodies in Scotland with the WGA data collection tool for the prior year, the WGA return for 2020/21 is still to be completed and audited. Therefore, we will complete the required assurance statement and submit it to the National Audit Office once the data collection tool is available, and the 2020/21 WGA return has been completed by the council.

## Audit of the trusts registered as Scottish charities

**30.** The preparation and audit of the annual accounts 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. 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. 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.

**31.** Dundee City Council are sole trustees for three trusts registered as Scottish charities, with total combined assets of over £5.8 million. In 2020/21 we reported that Dundee Trust was effectively dormant and that the trustees should consider the future of the trust and make a decision as to how this will be used going forward. This would include consideration of whether steps should now be taken, in coordination with the Office of the Scottish Charity Regulator, to wind it up. Management agreed to consider this as part of the accounts preparation this year and we will review progress with this in 2021/22.

### Materiality levels for the 2021/22 audit of trusts registered as Scottish charities

**32.** Materiality levels for the various trusts are set out in [Exhibit 3](#). Materiality has not been set for the Dundee Trust due to the expectation that there are no balances or transactions for this Trust in 2021/22.

## Exhibit 3

### 2021/22 Materiality levels for charitable trusts

Charitable trust	Planning Materiality (2% of audited 20/21 net assets)	Performance Materiality (75% of planning materiality)	Lower Performance Materiality (2% of 20/21 gross payments)	Reporting Threshold
Dundee City Council Charitable Trusts	£115,000	£86,000	£830	£5,700
Lord Provost Charity Fund	£900	£675	£15	£45

Source: Audit Scotland

## Significant risk of material misstatement to the annual accounts of the trusts

**33.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the annual accounts of the trusts:

- **Risk of management override of controls:** Auditing standards require that audit work is planned to consider the risk of misstatement arising from the management override of controls. In response to this risk, we will review accounting estimates (including the revaluation of land and buildings), judgments and decisions made by management and evaluate any significant transactions that are outside the normal course of the trust business.
- **Risk of fraud in the recognition of income and expenditure:** There are presumed risks over fraud in the recognition of income and expenditure. In response to this risk, we will review a significant proportion of income and expenditure transactions processed through the trusts.

## Audit risk assessment process

**34.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

# Audit dimensions and Best Value

## Wider scope of public sector audit

35. The [Code of Audit Practice](#) sets out the four dimensions 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 audit dimensions in audited bodies.

## Audit dimensions

36. The four dimensions that frame our audit work are shown in [Exhibit 4](#).

### Exhibit 4 Audit dimensions



Source: Code of Audit Practice

37. In summary, the four dimensions cover the following:

- **Financial management:** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- **Financial sustainability:** This covers the council's financial position in the longer term. We define this as medium term (two to five years) and long term (longer than five years).
- **Governance and transparency:** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership



and decision-making, and transparent reporting of financial and performance information.

- **Value for money:** Value for money refers to using resources effectively and continually improving services.

## Conclusions on wider scope responsibilities

**38.** The appointed auditor is required to report conclusions on the wider scope responsibilities and consider the audit dimensions specified in the Code of Audit Practice, [Exhibit 4](#).

**39.** As part of our audit planning work we reviewed the wider dimensions of public sector audit applicable to the council and identified the wider code risks set out in [Exhibit 5](#). This exhibit sets out the risks, sources of assurance from management and the further audit procedures we plan to perform to gain assurances over the risks. The conclusions from this work will be reported within our 2021/22 Annual Audit Report.

### Exhibit 5

#### Audit dimension risks for the 2021/22 audit

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Financial Sustainability</b></p> <p>The council's provisional 3-year budget considered in February 2022 notes a cumulative projected funding gap of £20.8 million by 2024/25, to be met by savings.</p> <p>As set out in the council's long-term financial strategy, identifying savings and efficiencies will be co-ordinated through the Changing for the Future transformational programme (C2022).</p> <p>The council's longer-term financial plans will require to be updated to reflect the post Covid-19 situation.</p> <p>There is a risk that in the longer term, the council is unable to deliver the efficiencies required to balance its budget whilst meeting its strategic priorities.</p>	<ul style="list-style-type: none"> <li>• The 3-year provisional budget and reserve policy is agreed as part of the budget setting process.</li> <li>• The council continues to consider applying a range of Scottish Government sanctioned financial flexibility options.</li> <li>• The Council's long-term forecast will be updated and reported to members in 2022.</li> <li>• Progress with C2022 is regularly monitored.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to monitor the financial position throughout the year.</li> <li>• Consider the long-term affordability of budget decisions, including the financial impact of the Covid-19 pandemic and any planned use of reserves.</li> <li>• Review of the long-term strategy, including the assumptions used, to inform our ongoing assessment of the council's longer-term financial sustainability.</li> </ul>

Description of risk	Sources of assurance	Planned audit response
<p><b>2. COVID 19 service pressures</b></p> <p>The Covid-19 pandemic placed significant pressure on the provision of council services.</p> <p>There is risk that the ongoing pressures caused by the pandemic impact on the council's performance and its ability to meet its strategic objectives.</p>	<ul style="list-style-type: none"> <li>• Covid-19 financial implications integrated within normal budget processes.</li> <li>• The long-term financial strategy will be updated to reflect the impact of Covid-19 on the council's finances going forward, including scenario planning of key financial assumptions.</li> <li>• Performance management framework improvements made in 21/22 including progress monitoring against service plans.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing monitoring of the council's performance reporting, and other reports and briefings on service impact of Covid-19.</li> <li>• Consider the long-term affordability of budget decisions, including the financial impact of Covid-19 pandemic and any planned use of reserves.</li> </ul>
<p><b>3. Capital slippage</b></p> <p>Gross capital expenditure for 2021/22 is projected to be £64 million. This is a £53 million underspend against the original capital budget of £117 million. The majority of this slippage is due to the impact of Covid-19.</p> <p>While recognising the impact of Covid-19 on the council's ability to progress capital projects, there is a risk that projects are not completed timeously which could impact on service delivery.</p>	<ul style="list-style-type: none"> <li>• Regular capital monitoring reports to the Policy and Resources Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• On-going monitoring of the capital budget, capital plans and monitoring reports.</li> </ul>

Source: Audit Scotland

## Best Value

**40.** 2021/22 is the final year of the extended six-year approach to auditing Best Value in councils. Best Value work is integrated within the annual audit. It is to be assessed comprehensively over the period of the audit appointment, both through ongoing annual audit work and through discrete packages of work focussing on specific issues. Conclusions and judgements on Best Value are being reported through the Annual Audit Reports for each council.

**41.** In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once over the period of the audit appointment.

**42.** The Dundee City Council BVAR was published in September 2020. Our work in 2021/22 will focus on following-up on the findings reported in the BVAR. This work will assess progress on the pace and depth of continuous improvement. Our findings will be reported through our Annual Audit Report.

**43.** The BVARs that will be considered by the Accounts Commission between February and September 2022 are listed in [Exhibit 6](#).

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## Exhibit 6

### Best Value Assurance Reports due to be published in 2022



- Angus Council
- Comhairle nan Eilean Siar
- Shetland Island Council
- Moray Council follow-up

Source: Audit Scotland

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## Other areas of audit focus

### Drugs Commission

**44.** In August 2019 the Dundee Drugs Commission published its [Responding to Drug Use With Kindness, Compassion and Hope Report](#). The report included 16 recommendations split between those that could be delivered immediately (within 12 months), during a transitional period (within three years) and longer-term (within five years). They covered a wide range of areas including improving leadership, challenging stigma towards people who use drugs.

**45.** The Dundee Alcohol and Drugs Partnership (ADP) leads the multi-agency strategic activities to address the issue of drug use and deaths in Dundee and is working with partners to implement the report's recommendations through an Action Plan for Change.

**46.** The Dundee Drugs Commission was reconvened in summer 2021 to:

- review progress achieved in implementing the Commission's previous recommendations
- consider the impact of, and the lessons learned from, measures taken in response to the Covid-19 pandemic
- agree any new findings emerging from the review and make additional recommendations if required, and

- prepare a final report for the ADP and its partners including Dundee City Council, NHS Tayside and the Dundee City Health and Social Care Partnership.

**47.** In March 2022 Audit Scotland published the national report [Drug and alcohol services - An update](#). The report highlighted drug-related deaths have been rising steeply since 2013 and a record 1,339 people lost their lives to drugs in Scotland in 2020 – the highest rate in Europe. The report also highlighted an increase in alcohol related deaths and identified issues relating to funding, lines of accountability for service delivery and a lack of outcome data as contributing to factors to the lack of progress in tackling these issues.

**48.** The Dundee Drugs Commission will report the findings from its work to the ADP later in 2022. We will review the updated report from the Commission to assess the progress being made in Tayside and also report on the national picture as part of our 2021/22 Annual Audit Report.

### Mental Health Services

**49.** An Independent Inquiry into Mental Health Services in Tayside published its report, Trust and Respect, in February 2020. In response to the findings in the report, the council and its partners developed a Living Life Well strategy for mental health and wellbeing in Tayside. It set out collective ambitions across Tayside for mental health services.

**50.** In July 2021 a [Progress Report](#) by the Independent Inquiry Review Team was published. This reported on some positive progress and areas where further progress is needed. The council is continuing to work with partners in implementing the strategy to improve mental health services across Tayside. We will review future reports to members to assess the progress being made.

### Asset infrastructure

**51.** A special meeting of the Scrutiny Committee on 24 March 2022 considered two significant issues in relation to the council's asset infrastructure. The areas considered were:

- **Roofing repairs issues:** It has been identified that roofing repairs undertaken in recent years did not meet current British building standards and remedial work is now required on the relevant buildings to bring them up to these standards. The council have appointed PwC to undertake an independent inquiry in this area, with a report expected to be considered in June 2022. Alongside this, internal audit is undertaking a wider review of the arrangements in place across all services to ensure that legislation and regulatory updates are reviewed and implemented timeously.
- **Olympia Swimming Pool closure:** The pool is closed for an extended period to allow reactive maintenance and refurbishment work to be undertaken. The council's consideration of this area will look at the current situation and the life cycle replacement, operational maintenance and cleaning of the facility going forward, as well as any wider issues for similar assets.

**52.** A further issue has been identified by officers in relation to the central heating pipework in Dundee House that will require much of the pipework to be replaced. Similar pipe work has been used in other buildings however initial inspections by the council have not identified any requirement for immediate action similar to Dundee House.

**53.** We will consider the reports to members on these areas, and any action taken in response, and report on these within our 2021/22 Annual Audit Report.

# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**54.** The outputs set out in [Exhibit 7](#), and any other outputs on matters of public interest, will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

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

**56.** We will provide an independent auditor's report (i.e. 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.

**57.** [Exhibit 7](#) outlines the target dates for issue of our key outputs during the 2021/22 audit. 2021/22 is a transitional year for Audit Scotland as we move back towards pre-Covid audit timetables. Therefore, our intention is for the council audit work to be completed in time to enable certification of the annual accounts by the deadline of 31 October 2022.

## Exhibit 7 2021/22 Audit outputs

Audit Output	Target date	Scrutiny Committee Date
Annual Audit Plan	31 March 2022	27 April 2022
Interim management report	30 June 2022	29 June 2022
Independent Auditor's Report	31 October 2022	26 October 2022
Annual Audit Report	31 October 2022	26 October 2022



Source: Audit Scotland

## Timetable

**58.** To support an efficient audit, it is critical that a timetable is agreed for the production and audit of the annual accounts. The proposed timetable for the 2021/22 audit is shown in [Exhibit 8](#).

## Exhibit 8

### Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by Scrutiny Committee as those charged with governance	29 June 2022
Latest submission date for unaudited annual accounts with complete working papers package to external audit	By 30 June 2022
Latest date for final clearance meeting	17 October 2022
Agreement of audited annual accounts (council and trusts) for consideration by the Scrutiny Committee	19 October 2022
Issue of Proposed Annual Audit Report to those charged with governance (including Letter of Representation and proposed independent auditor's report) *	19 October 2022
Scrutiny Committee meeting to consider Proposed Annual Audit Report and approve and sign audited annual accounts	26 October 2022
Independent auditor's report certified by appointed auditor	27 October 2022
Deadline for 2021/22 WGA assurance statement	<i>To be advised</i>

\* *The finalised Annual Audit Report will be issued after the audited 2021/22 Annual Accounts are certified.*

Source: Audit Scotland

## Audit fee

**59.** The agreed fee for the 2021/22 audit of the council is £372,500 (£364,970 in 2020/21), an increase of 2.1 per cent. In determining the audit fee, we have taken account of the risk exposure of the council, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit.

**60.** We have also agreed a fee of £4,780 (£4,780 in 2020/21) for the audit of the three registered charities.

**61.** Our audit approach assumes receipt of the unaudited annual report and accounts, with a complete working papers package, by 30 June 2022. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, the absence of adequate supporting working papers or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity. Any such additional fee will be discussed and agreed with management prior to the work being undertaken.

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# Other matters

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## Internal audit

**62.** International standards on Auditing (UK) 610: *Considering the work of internal audit* requires us to:

- consider the activities of internal audit and their effect on external audit procedures
- obtain an understanding of internal audit activities to inform our planning and develop an effective audit approach that avoids duplication of effort
- perform a preliminary assessment of the internal audit function when there is scope for relying on internal audit work which is relevant to our financial statements' responsibilities, and
- evaluate and test the work of internal audit, where use is made of that work for our financial statements responsibilities to confirm its adequacy for our purposes.

**63.** The council's internal audit function is provided by its internal audit section led by the Acting Senior Manager – Internal Audit. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

**64.** From our initial review of the internal audit plans, we plan to place formal reliance on internal audit's work in payroll for our financial statements' responsibilities. We also plan to use the work of internal audit where relevant in respect of our wider dimension responsibilities.

## Independence and objectivity

**65.** Auditors appointed by the Auditor General for Scotland or the 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. 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 Director of Audit Services, who serves as Audit Scotland's Ethics Partner.



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

## Quality control

**67.** International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**68.** 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](#) (and supporting 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 Scotland (ICAS) have been commissioned to carry out external quality reviews.

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

# Dundee City Council

## Annual Audit Plan 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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