

REPORT TO: SCRUTINY COMMITTEE – 25 JUNE 2014

**REPORT ON: REVIEW OF PREVIOUS YEARS' EXTERNAL AUDIT REPORT
ACTION PLANS**

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 194-2014

1 PURPOSE OF REPORT

To provide elected members with an update on the progress on implementing recommendations from previously agreed external audit reports.

2 RECOMMENDATIONS

It is recommended that elected members note the information below and detailed on Appendix A updating progress on implementing previously agreed recommendations.

3 FINANCIAL IMPLICATIONS

None.

4 MAIN TEXT

4.1 In November 2005, revised procedures were agreed for dealing with external audit reports, management letters and reviewing previously agreed action plans. These procedures included that the Director of Corporate Services would review agreed action plans regularly to ensure the timeous implementation of previously agreed recommendations. In addition, it was agreed that the Director of Corporate Services would report annually to the Scrutiny Committee on the progress on implementing recommendations.

4.2 The attached appendix A details the position for each individual report issued by external audit together with further information on the recommendations as follows:

Column A details the total number of recommendations that are due for implementation to date. This excludes any recommendations that have already have been reported as being implemented in previous progress reports. These recommendations are then divided into three separate categories (columns b to d)

Column B details the total number of the above recommendations (column a) that have now actually been implemented.

Column C details the number of recommendations (column a) that are considered no longer applicable e.g. these recommendations may have been superseded by subsequent recommendations in follow up reports.

Column D details the total number of recommendations (column a) that are still outstanding to be implemented and the original target date agreed has now passed.

Column E details the total number of recommendations that are still outstanding to be addressed although are not yet due for implementation.

4.3 In summary, a total of 14 recommendations were carried forward from the previous progress report (162-2013) as being beyond their original target implementation deadline and a further 3 recommendations from previously issued reports are now also due for implementation. Since the last progress report was submitted to the Scrutiny Committee in April 2013, external audit have issued their Interim Management Report for the year ended 31 March 2013, Annual Report on the 2012/13 Audit together with their Interim Management Report for the year ended 31 March 2014. These 3 new reports included a total of 15 recommendations that were targeted to have been implemented to date. In total, 32 recommendations are therefore considered to have been due to be implemented to date, of which a total of 20 have either been addressed or are no longer considered applicable by the Council. The remaining 12 recommendations have not yet been fully implemented by their original target deadline although overall, significant progress has been made and, where relevant, revised target dates have been set. In addition, a further 2 recommendations are still outstanding although these actions have not yet reached their target implementation date. Of the recommendations that have not yet been implemented none require further action or intervention at this time, further progress on these will be reported in due course.

5 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of sustainability, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management.

There are no major issues.

6 **CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services have been consulted on the content of this report.

7 **BACKGROUND PAPERS**

Audit Scotland & KPMG: External Audit Reports (various)

MARJORY M STEWART
DIRECTOR OF FINANCE

13 JUNE 2014

DUNDEE CITY COUNCIL

SCRUTINY COMMITTEE - 25 JUNE 2014

REVIEW OF PREVIOUS YEARS' EXTERNAL AUDIT REPORT ACTION PLANS

Report Details	Number of Recommendations					Other Comments
	a) Due to be implemented **	b) Implemented since previous report ***	c) No longer considered applicable	d) Still outstanding to be implemented	e) Due for implementation in the future	
Corporate Governance Review	4	-	1	3	-	This report was issued in September 2011 and included a total of 8 recommendations that were agreed to be addressed. Of the items that were due to be actioned to date, 4 have been implemented (ref action plan 2, 3i, 7 & 8). Action plan item 4, relating to the development of system to monitor procurement savings, is no longer applicable as this has been superseded by recommendations made in a subsequent external audit report. The actions still outstanding relate to architect fees system (ref action plan 3ii) and procurement (ref action plan 5 & 6). A number of improvements have been made to the professional fees system since the report was issued, although this recommendation has not yet been fully implemented. Work on procurement items is still ongoing as part of procurement reform implementation, the issues highlighted are now expected to be addressed by December 2014. No further action is required at this time and progress will be reported in due course.
Report to Members on the 2010/11 Audit	3	1	-	2	-	This report was issued in November 2011 and included 8 action points that were agreed to be addressed. Of the items that were due to be actioned to date, 6 have been implemented (ref action plan 1, 2, 5i, 6, 7 & 8). The actions still outstanding relate to Corporate Asset Management Strategy (ref action plan 4) and procurement (ref action plan 5ii). Work continues to develop the various plans including Roads Infrastructure, Buildings and Property, Vehicle Fleet and Open Space and further progress will be reported in due course. Development of tracking system to monitor procurement savings is still ongoing, and is now anticipated to be in place by December 2014. No further action is required at this time, departments continue to monitor these items and progress will be reported in due course.

DUNDEE CITY COUNCIL

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	a) Due to be implemented **	b) Implemented since previous report ***	c) No longer considered applicable	d) Still outstanding to be implemented	e) Due for implementation in the future	
Interim Management Report - Year ended 31 March 2012	7	3	1	3	-	This report was issued in May 2012 and included 12 action points that were agreed to be addressed. Of the items that were due to be actioned to date, 8 have been implemented (ref action plan 1i, 1ii, 3, 4, 7, 8, 10 & 12). Action plan item 11, relating to systems reconciliations, is no longer applicable as this has been superseded by recommendations made in subsequent external audit reports. The actions still outstanding relate to procurement (items 5 & 6) and payroll (item 9). Work on procurement items is still ongoing as part of procurement reform implementation, and is now expected to be complete by December 2014. New employee payroll start form is being developed as part of a wider review of arrangements for the implementation of CERDMS. Further progress on these items will be reported in due course.
Annual Audit Report - Year ended 31 March 2011/12	3	2	1	-	-	This report was issued in October 2012 and included a total of 7 action points that were agreed to be addressed. Of the items that were due to be actioned to date, 6 have been implemented (ref action plan 1, 2, 4, 5, 6 & 7). Action plan item 3, relating to the Council's longer term budget strategy, is no longer applicable as this has been superseded by recommendations made in subsequent external audit reports.
Interim Management Report - Year ended 31 March 2013 *	5	2	2	1	-	This report was issued in May 2013 and included a total of 5 recommendations that were agreed to be addressed. Of the items that were due to be actioned to date, 2 have been implemented (ref action plan 4 & 6). Action plan item 1, relating to the development of a longer-term budget strategy for the Council and item 3, relating to financial controls are no longer applicable as these have both been superseded by recommendations made in subsequent external audit reports. Work on reviewing the format and content of the capital budget monitoring report (item 2) is ongoing as part of a wider review of the Council's governance arrangements around capital projects and any improvement recommendations will be brought forward in due course.

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Annual Audit Report - Year ended 31 March 2013 *	9	6	-	3	-	This report was issued in September 2013 and included a total of 9 recommendations that were agreed to be addressed. Of the items that were due to be actioned to date, 6 have been implemented (ref action plan 2, 3, 4, 5, 8 & 9). The actions still outstanding relate to financial strategy (item 1) and review of scrutiny arrangements (items 6 & 7). With reference to longer-term budget planning (ref action plan 1) estimated savings requirements for 2015/16 were noted in the budget report approved in February 2014. Beyond this, no further figures for future years were presented in light of the continuing uncertainties around government funding levels in the new spending review period. The budget report did, however, set out the key aspects of the Council's medium term financial strategy. The Director of Corporate Services will maintain longer-term budget projections using appropriate assumptions and based on the best available information. A review of the Council's arrangements for Scrutiny Committee (items 6 & 7) is ongoing and will be reported to Policy & Resources Committee later in 2014. Further progress on these items will be reported in due course.
Interim Management Report - Year ended 31 March 2014 *	1	1	-	-	2	This report was issued in April 2014 and included a total of 3 recommendations that were agreed to be addressed. The recommendation relating to bank reconciliations (ref action plan 2) was implemented with immediate effect. The outstanding items relate to financial controls (item 1) and updating of senior officers' register of interests (item 3). Both these items are not due for implementation until the end of August 2014, work is ongoing and further progress will be reported in due course.
Total	32	15	5	12	2	

* New reports that have been issued since the previous progress report was submitted to Scrutiny Committee on 17 April 2013 (Report 162-2013 refers).

** Figure provided in column (a) should agree to total of columns (b) to (d)

*** Where appropriate, implemented recommendations are subject to continual review and further action is taken as required.