

**REPORT TO: POLICY & RESOURCES COMMITTEE – 30 OCTOBER 2017**

**REPORT ON: RESPONSE TO EXTERNAL AUDITOR'S ANNUAL AUDIT REPORT TO MEMBERS OF DUNDEE CITY COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR TO 31 MARCH 2017**

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

**REPORT NO: 364-2017**

## **1 PURPOSE OF REPORT**

This report is a response to the report prepared by the Council's external auditor on the audit of Dundee City Council for the year to 31 March 2017. A copy of the external auditor's report (Report No 363-2017), the 2016/2017 Audited Annual Accounts for the City Council (Report No 360-2017), the 2016/2017 Audited Dundee City Council Charitable Trusts Annual Accounts (Report No 361-2017) and the 2016/2017 Audited Lord Provost of Dundee Charity Fund Annual Accounts (Report No 362-2017) are also included on the agenda as separate items. The aforementioned reports were submitted to the Scrutiny Committee on 27 September 2017, along with this report.

## **2 RECOMMENDATIONS**

It is recommended that the Committee:

- i notes the contents of the external auditor's report including the completed action plan at Appendix 1, and in particular that Audit Scotland have issued an unqualified audit opinion on each of the 2016/2017 Annual Accounts noted above.
- ii notes this report as the Council's formal response to the external auditor's report

## **3 FINANCIAL IMPLICATIONS**

The Council's 2016/2017 Audited Annual Accounts show a closing General Fund balance of £9.841m at 31 March 2017. Within this overall total it is estimated that £5.0m is uncommitted. This equates to 1.5% of annual budgeted net expenditure.

## **4 MAIN TEXT**

### **4.1 Introduction**

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Dundee City Council for the financial year 2016/2017 was carried out by Mrs Fiona Mitchell-Knight, Assistant Director (Audit Services), Audit Scotland. Local authority external auditors are appointed for a five year period and the financial year 2016/2017 marked the first year of Audit Scotland's current appointment.

- 4.2 The 2016/2017 unaudited Annual Accounts were submitted to Scrutiny Committee earlier this year (Article VI of the Minute of Meeting of the Scrutiny Committee 28 June 2017, Report No: 240-2017 refers). Following this meeting the accounts were submitted to KPMG, prior to the required statutory deadline of 30 June 2017. The accounts have since been subject to a three week statutory public inspection period and no objections were received.

### **4.3 External Auditor's Report**

Audit Scotland have now completed their audit work and, in accordance with auditing standards (ISA 260: Communication with those charged with governance), are required to report the outcome of their work in relation to their review of the financial statements. This requirement has been addressed in the External Auditor's report.

4.4 The report summarises the findings in relation to the overall audit of the Council for the year ended 31 March 2017. The attached report describes the scope of audit work undertaken during 2016/2017 and the issues arising from that work are divided into five key areas looking at

- audit of 2016/17 annual report and accounts
- financial management
- financial sustainability
- governance and transparency
- value for money

4.5 In addition to the elected members of Dundee City Council, the external auditor's report is also addressed to the Controller of Audit at the Accounts Commission for Scotland. Given this wider audience, and the extent of the external auditor's responsibilities and scope of work, the report is by necessity both fulsome and extensive. It contains much information that has already been reported to the relevant committees of Dundee City Council. Further to this, external audit reports issued previously already include agreed management action plans that are the subject of separate consideration by the Scrutiny Committee. Accordingly, it is not the intention in this report to provide a detailed response or commentary on all of the external auditor's findings.

#### 4.6 Action Plan

The external auditor has made eight recommendations arising from the 2016/2017 audit that require further action by the Council. These recommendations have been considered carefully by the Chief Executive, Executive Director of Corporate Services and other appropriate officers and the completed action plan, incorporating the "agreed management action/timing", is included at Appendix 1 to the external auditor's report. The progress on implementing these agreed action points will be monitored through the Council's established procedures for dealing with external audit reports and reviewing previously agreed action plans.

#### 4.7 Conclusions

The external auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. The report identified no unadjusted misstatements that exceeded the reporting threshold. In addition to the audit of the accounts, the external auditor examined a number of areas covering a wide range of activities during 2016/2017.

Whilst some adjustments were required to the unaudited accounts and some areas for improvement have been identified, it is pleasing to note that the overall findings and conclusions are satisfactory. In particular, the Council can take encouragement from the following findings:

- the accounts were again submitted on time and unqualified audit opinions were issued
- the working papers provided with the unaudited report and accounts were of a good standard and finance staff provided good support to the audit team during the audit
- the external auditor did not identify any significant internal control weaknesses
- the Council has effective arrangements in place that support the stewardship of resources and scrutiny of decisions
- the Council is open and transparent in the way that it conducts its business
- comparison of performance against local government benchmark performance indicators for 2015/16 suggests that, broadly, Council was performing better than their comparator 'family group'.
- performance information for the first six months in 2016/17 reflects improving performance compared to the same period in 2015/16

- the Council is proactive in ensuring that equality is mainstreamed

**5 POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of sustainability, strategic environmental assessment, anti-poverty, equality impact assessment and risk management. There are no major issues.

**6 CONSULTATIONS**

The Council Management Team have been consulted on the content of this report.

**7 BACKGROUND PAPERS**

Audit Scotland: 2016/17 Annual Audit Report to Members of Dundee City Council and the Controller of Audit

**GREGORY COLGAN**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**19 OCTOBER 2017**