

**REPORT TO: POLICY & RESOURCES COMMITTEE - 24 NOVEMBER 2008**

**REPORT ON: RESPONSE TO EXTERNAL AUDITOR'S REPORT TO MEMBERS ON THE  
AUDIT OF DUNDEE CITY COUNCIL FOR THE YEAR TO 31 MARCH 2008**

**REPORT BY: HEAD OF FINANCE**

**REPORT NO: 586-2008**

## **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 2008. A copy of the External Auditor's report (Report No 585-2008) and the 2007/2008 Audited Statement of Accounts for the City Council (Report No 584-2008) are included on the agenda as separate items.

## **2 RECOMMENDATIONS**

It is recommended that the Committee:

- i endorses this report as the Council's formal response to the External Auditor's report.
- ii notes the completed Action Plan appended to this report.

## **3 FINANCIAL IMPLICATIONS**

None.

## **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 2007/2008 was carried out by Mr Mark Taylor CPFA, Assistant Director - Audit Services, Audit Scotland. Local authority external auditors are appointed for a five year period and the financial year 2007/2008 marked the second year of Audit Scotland's current appointment at the City Council.

### **4.2 External Auditor's Report**

The External Auditor's report outlines his main responsibilities as auditor and describes the scope of audit work undertaken during 2007/2008 and the issues arising from that work. The report is divided into the following four key areas:

- Financial Statements
- Financial Position
- Governance
- Performance

4.3 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, his 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, the External Auditor's reports issued previously already include agreed management action plans that are the subject of separate scrutiny by the Audit and Risk Management Sub-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, however, whilst the content of the report has been agreed, it is appropriate to take this opportunity to respond to the External Auditor's criticism of the Council's committee structures.

4.4 The Council strongly believes that the existing committee structure, with all members of the Council on all major committees, ensures effective scrutiny and transparency of decision making. This view is supported by both our performance statistics and the work with the Dundee Partnership. In particular, the Council would contest the External Auditor's assertion that the Audit & Risk Management Sub-Committee's composition and status means that it is not sufficiently independent of the decision making and other scrutiny functions of the Council. This assertion would call into question the independence of most local authority audit committees given that members will also serve on one or more decision making committee as well as sitting on the full Council.

#### 4.5 Action Plan

The External Auditor has identified six key issues arising from his 2007/2008 audit that require action by the Council. These relate to:

- the Council's arrangements for maintaining the corporate asset register.
- the status and composition of the Council's Audit & Risk Management Sub-committee (see comments above).
- arrangements for maintaining the corporate asset management plan.
- the ongoing implementation of the Best Value Improvement Plan.
- the requirement for the Council to deliver efficiency savings without impacting adversely on the quality of services provided.
- the introduction of training needs assessments and personal development plans for elected members.

These matters have been considered carefully by the Depute Chief Executive (Finance), Head of Finance and other relevant Chief Officers and the completed action plan, incorporating the "planned management action" where appropriate, is appended to this report and 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.

#### 4.6 Conclusions

During 2007/2008, the External Auditor examined a number of areas covering a wide range of the City Council's activities. Whilst some areas for improvement have been identified, it is pleasing to note that the auditor's overall findings and conclusions are satisfactory. In particular, the Council can take encouragement from the following findings:

- the accounts were submitted on time and there was no qualification to the auditor's opinion.
- a favourable underspend against budget was achieved.
- good corporate governance systems were in place during 2007/2008 that operated well, within a sound control environment.
- the Council reported significant improvements in key performance measures, with the overall improvement rate of Statutory Performance Indicators amongst the best in Scotland.
- further good progress has been made in implementing the actions contained in the Council's Best Value Improvement Plan.
- risk management is developing with most services becoming increasingly risk aware.
- a good quality internal audit service continues to be provided.

## **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 Chief Executive, Depute Chief Executive (Finance) and Depute Chief Executive (Support Services) have been consulted on the content of this report.

## **7 BACKGROUND PAPERS**

Audit Scotland: Dundee City Council - Report to Members and the Controller of Audit on the 2007/2008 Audit.

**MARJORY M STEWART**  
**HEAD OF FINANCE**

**18 NOVEMBER 2008**

# Appendix A: Action Plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	14	<p><b>Asset register</b></p> <p>During the year, HRA land that had become available following the demolition of the associated council housing was sold for £1.830 million. The full value of the land and buildings had been removed from the asset register at the time of the demolition, meaning that the land had not been recorded separately in the register prior to its sale.</p> <p>All assets owned by the council should be properly recorded in the asset register, and particular care is taken to record the residual element of assets that have been partially demolished or disposed of.</p> <p><b>Risk: All of the council's assets are not properly recorded.</b></p>	<p>This matter will be reviewed and relevant departments will be consulted to ensure that all residual elements of assets are properly recorded in the corporate asset register on a timely basis.</p>	Head of Finance	31 March 2009
2	70.	<p><b>Status &amp; composition of audit committee</b></p> <p>The CIPFA/ SOLACE Framework for Delivering Good Governance in Local Government highlights that the audit committee should be independent of the executive and scrutiny functions of an authority.</p> <p>The council's Audit &amp; Risk Management Sub-committee is a sub-committee of the Policy &amp; Resources Committee (PRC) It is chaired by the deputy convenor of the PRC. All members are also members of the PRC, and all other service committees. It cannot, therefore, be sufficiently independent of the council's decision making and other scrutiny functions.</p> <p><b>Risk: audit committee is not effective.</b></p>	<p>Although all members of the Audit &amp; Risk Management Sub Committee are also on all Council Committees, it is the Council's view that they do operate effectively as a scrutiny Committee, undertaking the remit set by the Policy &amp; Resources Committee. It is not therefore considered necessary to change either the composition of the Committee or the Convernernship.</p>	Chief Executive	Not Applicable

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	98, 111, 128	<p><b>Asset Management</b></p> <p>The Asset Management indicator was found to be unreliable for the second year due to a lack of robust data on the number of operational buildings and condition surveys.</p> <p>A corporate Asset Management Plan is in place but currently only covers a relatively small proportion of the total asset base.</p> <p><b>Risk: Assets are not being managed efficiently and effectively.</b></p>	<p>Robust data is now available to ensure that the 2008/09 Asset Management indicator will be reliable.</p> <p>The Asset Plan Review is expected to be reported to Committee in November and will incorporate 57% of the total asset base.</p>	<p>Director of Economic Development</p> <p>Director of Economic Development</p>	<p>31 March 2009</p> <p>November 2009</p>
4	102, 111, 119, 128.	<p><b>Best Value</b></p> <p>Actions identified in the council's best value improvement plan are generally well advanced. There are, however, a number of actions still to be fully implemented, for example, asset management and human resource strategies, option appraisals and benchmarking of services.</p> <p>The council has not addressed concerns expressed by the Accounts Commission about transparency, scrutiny and strategic management of organisational structures. This largely reflects the council's continuing disagreement with the issues originally highlighted in these areas.</p> <p><b>Risk: the council is not in a position to deliver best value.</b></p>	<p>The Council will continue to address the actions identified in the Best Value Improvement Plan, as appropriate.</p> <p>The Council is of the view that its Committee structures ensure effective scrutiny and transparency of decision making. The Council's performance statistics support this, as does the Council's work with the Dundee Partnership.</p>	<p>As per BVIP</p> <p>Chief Executive</p>	<p>As per BVIP</p> <p>Not Applicable</p>

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
5	107	<p><b>Efficiency agenda</b></p> <p>The council has recognised that delivering a freeze on council tax will be difficult within the existing funding. Councils are also required to achieve 2% efficiency savings each year from 2008/09 which can be used to address on going pressures and local priorities. The required level of annual savings will be challenging to meet on a continuing basis without impacting on the level or quality of services.</p> <p><b><i>Risk: the required efficiency savings can not be delivered without impacting on the level or quality of services provided.</i></b></p>	<p>The Council will continue to seek to identify opportunities for real efficiency savings across the wide range of services that it provides, without any adverse impact on the level or quality of services provided. This process will be co-ordinated at officer level through the Improvement &amp; Efficiency Board, with specific initiatives including the Efficiency Diagnostic Study, Best Value Reviews, Lean Service Reviews etc. Reporting and scrutiny of the Council's efficiency programme will continue through the Best Value Performance &amp; Efficiency Sub-Committee.</p>	Head of Finance	31 March 2011
6	117	<p><b>Members Training</b></p> <p>A structured training programme to ensure that all members are fully aware of their regulatory and legislative duties is in place. The latest report from the Scottish Local Authorities Remuneration Committee published in September 2008 recommends that all councillors should have training assessments and personal development plans in place by 31 March 2009. The council has advised that personal development plans will be developed in line with the Improvement Service's professional development framework which is currently being piloted by seven councils. We noted that attendance at training sessions varies.</p>	<p>The Council's intention had been to wait for the national launch of the members' development framework, which is currently being piloted by the Improvement Service and seven local authorities. However, the Improvement Service have now advised that this framework will not be finalised until Autumn 2009 at the earliest. In view of this, proposals for training needs assessments and personal development plans will be put to members with a view to achieving the March 2009 deadline recommended in the report of the Scottish Local Authorities Remuneration Committee. Correspondence with members on this, and on</p>	Assistant Chief Executive (Community Planning)	31 March 2009

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p><b><i>Risk: members may not be able to readily evidence that they are up to date with training requirements.</i></b></p>	<p>any specific opportunities for training, will emphasise that councillors are expected to undertake appropriate training to enable them to perform their duties effectively, and that information on the number of members attending training will be published and publicly scrutinised.</p>		