

REPORT TO: SCRUTINY COMMITTEE - 15 FEBRUARY 2012

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

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 60-2012

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 with Audit Scotland for dealing with external audit reports, management letters and reviewing previously agreed action plans. These procedures included that the Director of Finance would review agreed action plans regularly to ensure the timeous implementation of previously agreed recommendations. In addition, it was agreed that the Director of Finance would report annually to the Audit & Risk Management Sub-Committee (now Scrutiny Committee) on the progress on implementing recommendations.

4.2 The attached appendix A details the position for each individual report issued by Audit Scotland 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 in previous progress reports.

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Column C details the number of recommendations that are considered no longer applicable e.g. these recommendations may have been superseded by subsequent recommendations in follow up reports.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 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 15 recommendations were carried forward from the previous progress report as being beyond their original target implementation deadline and a further 22 recommendations from previously issued reports are now also due for implementation. Since the last progress report was submitted to the Scrutiny Committee in October 2010, Audit Scotland have issued a further 3 reports that include a total of 3 recommendations that were targeted to have been implemented to date. In total, 40 recommendations are therefore considered due to have been implemented to date, of which a total of 36 have either been addressed or are no longer considered applicable by the Council. The remaining 4 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 16 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.
- 4.4 Financial year 2010/11 was the final year of Audit Scotland's appointment as external auditor for the City Council. KPMG LLP have been appointed as the Council's new external auditor for the next five years from 2011/12. Procedures for dealing with external audit reports, management letters and reviewing previously agreed action plans will be discussed with KPMG LLP in due course and updated as necessary. In the meantime, the Director of Finance will continue to review progress on implementing any outstanding recommendations from action plans detailed on Appendix A and report findings of this review to the Scrutiny Committee thereafter.

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 Depute Chief Executive (Support Services) have been consulted on the content of this report.

7 BACKGROUND PAPERS

Audit Scotland: External Audit Reports (various)

MARJORY M STEWART
DIRECTOR OF FINANCE

03 FEBRUARY 2012

DUNDEE CITY COUNCIL

SCRUTINY COMMITTEE - 15 FEBRUARY 2012

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	
Capital Project Management	6	2	3	1	-	This report was issued in September 2008 and included a number of longer-term action points of which 6 were carried forward as requiring further action. Whilst items relating to Central Waterfront & PPP Schools Project (ref action plan 7 & 8) are now considered as implemented, it is noted that as with all long-term projects, these items will still require to be continually monitored over the remaining duration of the projects. The items considered as no longer applicable (ref action plan 12, 13 & 14) all relate to Asset Management Planning and have now been superseded by recommendations made in subsequent reports. The item still outstanding beyond the originally agreed implementation date (ref action plan 9) relates to the clarification of procedures included in the Council's Financial Regulations for reporting overspends on capital projects and capital budget virements. These amendments have not yet been made and will be reflected in the next review of Financial Regulations. No further action is required at this time and progress will be reported in due course.
Report to Members on the 2007/08 Audit	1	1	-	-	-	Outstanding item from previous report related to efficiency agenda and has now been implemented. Notwithstanding this the Council will continue to seek to identify efficiency savings for ongoing years as part of Council's overall Efficiency programme.
Corporate Governance: Systems Assurance	4	3	1	-	-	This report was issued in June 2009 and included a total of 4 recommendations. Of these 3 have been completed since the previous report, the other item (ref action plan 4) is no longer considered as applicable as this matter has been superseded by subsequent external audit reports.
Review of Cash Management	6	5	1	-	-	This report was issued in September 2009 and included a number of recommendations that have already been addressed. Of the 6 items outstanding since the previous report, 5 have now been implemented (ref action plan 3ii, 5, 8, 13 & 14). Item 7 relates to arrangements for collection of local tax although this has now been superseded by the wider review of collection accounts currently being undertaken as part of the Council's Changing for the Future Programme.

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Report to Members on the 2008/09 Audit	2	2	-	-	-	This report was issued in October 2009 and the matters still outstanding (ref action plan 2 & 4) related to funding arrangements for DERL and the implementation of all outstanding issues from the separate review of Cash Management (see also above). These items are both now considered as implemented. It is acknowledged however, that the Council will continue to closely monitor the performance of DERL in both financial and operational terms and report this to Committee accordingly. No further action is required at this time and progress will be reported in due course.
Follow-up of Change Management and Application Systems Review	2	2	-	-	-	Items 1 & 2 relating software change control arrangements and the establishment of audit trail information for Housing Stock Information System have now been fully addressed.
Report to Members on the 2009/10 Audit	12	10	-	2	-	This report was issued on November 2010 and included a total of 12 action points that were agreed to be addressed. Of the items that were due to be actioned to date, 10 have been implemented (ref action plan 1, 2, 4, 5i, 5ii, 6i, 7, 8, 9 & 10). The actions still outstanding relate to procurement (ref action plan 6ii & 6iii), work on these areas is continuing and both of these items are expected to be completed by end of June 2012.
CERDMS	4	4	-	-	-	All outstanding items regarding this report have now been considered the appropriate action taken.
Corporate Governance Review *	1	-	-	1	8	This report was issued in September 2011 and included a total of 9 recommendations. Of these only 1 should have been implemented to date, this related to the project management arrangements for implementation of procurement improvements. Work relating to this item has been delayed slightly and is now likely to be implemented by end of February 2012. The remaining recommendations are not yet due for implementation although these items are being continually reviewed and no further action is required at this time.

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Voluntary Early Retirement and Redundancy Schemes *	2	2	-	-	1	This report was issued in October 2011 and included 3 action points that were agreed to be addressed. Of these, 2 points were due to have been implemented to date. The outcome of the teachers VER scheme (ref action plan 1i) was reported to Policy & Resources Committee in December (report 507-2011 refers) and the issue regarding pension scheme accounting (ref action plan 2) has been treated accordingly in the 2010/11 Statement of Accounts. The remaining action relates to the teachers 2012/13 VER scheme (ref action plan 1ii) is not yet due for implementation. No further action is required at this time and progress will be reported in due course.
Report to Members on the 2010/11 Audit *	-	-	-	-	7	This report was issued in November 2011 and included 7 action points that were agreed to be addressed. None of these action points are due for implementation. No further action is required at this time and progress will be reported in due course.
Total	40	31	5	4	16	

* New reports that have been issued since the previous progress report was submitted to Scrutiny Committee on 20 October 2010 (Report 586-2010 refers).

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