

REPORT TO: SCRUTINY COMMITTEE – 28 APRIL 2021

REPORT ON: DUNDEE CITY COUNCIL – AUDIT SCOTLAND ANNUAL AUDIT PLAN 2020/21

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT ON: 135-2021

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 2021.

2 RECOMMENDATIONS

It is recommended that elected members:

- i) note the information included in the attached report.
- ii) note that the outcome of the 2020/21 audit will be reported to the Scrutiny Committee in late October 2021.

3 FINANCIAL IMPLICATIONS

The proposed external audit fee for 2020/21 is £364,970 which is an increase of £9,260 (2.6%) from 2019/20. Provision for the proposed 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. 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, they have produced the above report outlining the planned approach to the audit of Dundee City Council for the year ending 31 March 2021. 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:

Risks and Planned Work (pages 4-10)

- Impact of Covid-19 on public audit (page 4)
- Adding value (page 4)
- Extension of audit appointment (page 4)
- Audit risks (pages 4-8)
- Grant claims and returns (page 8)
- Reporting arrangements (page 8)
- The audit of trusts registered as Scottish charities (page 9)
- Audit fee (page 9)
- Responsibilities (pages 9-10)

Audit Scope and Timing (pages 11-16)

- Annual accounts (page 11)
- Materiality (pages 11-12)
- Timetable (pages 12-13)
- Internal audit (page 13)

- Audit dimensions (pages 13-15)
- Independence, objectivity and quality control (pages 15-16)

- 4.3 In paragraph 4 on page 4 of the report, the external auditor notes that the impact of Covid-19 on audit timetables. The 2020/21 audit planning guidance sets sign-off deadlines for all local government audits of the end of October 2021. This is a month later than the pre-Covid deadlines for audit sign-off but is a month earlier than the deadline for the 2019/20 audits. The outcome of the 2020/21 audit will be reported to the Scrutiny Committee in late October 2021.
- 4.4 In paragraph 6 on page 4 of the report, the external auditor notes that the current five-year audit engagement was due to end after the conclusion of the 2020/21 audit. In October 2020, however, Audit Scotland approved the extension of current audit appointments for a further year to include 2021/22. This extension reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary audit procurement exercise during the pandemic.

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

19 APRIL 2021

Dundee City Council

Annual Audit Plan 2020/21



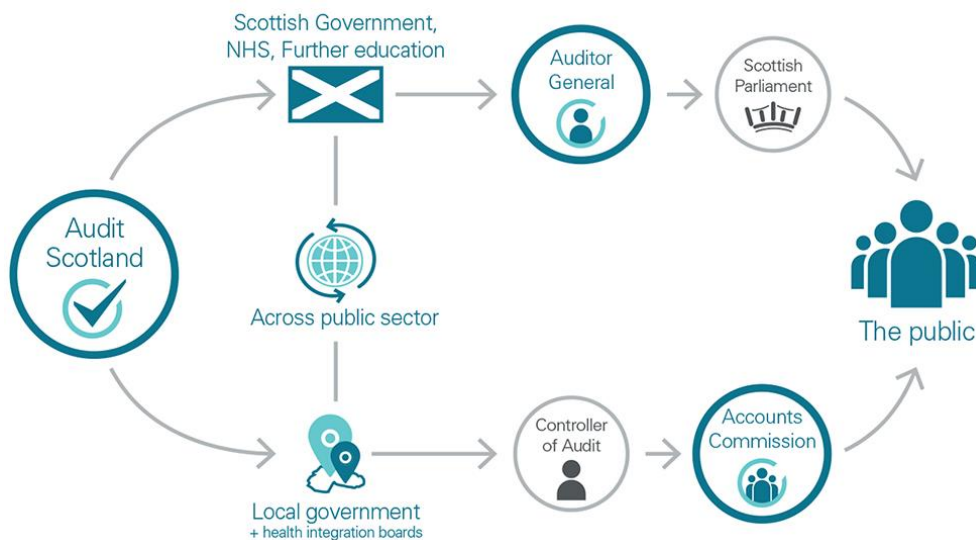
 AUDIT SCOTLAND

Prepared for by Dundee City Council
March 2021

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Impact of Covid-19 on public audit

3. Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work, including annual accounts audits and the programme of performance audits. A January 2021 paper, [COVID-19: What it Means for Public Audit in Scotland - Update](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.

4. Audit timetables for 2020/21 cannot match those which were possible before Covid-19. The safety of audit teams and client staff, and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, revisions to this annual audit plan may be necessary.

Adding value

5. We aim to add value to Dundee City Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help Dundee City Council promote improved standards of governance, better management and decision making and more effective use of resources.

Extension of audit appointment


6. Auditors appointed under statute by the Accounts Commission are engaged for a five-year period. The current audit engagement was due to end after the conclusion of the 2020/21 audit. Normally at the end of each five-year period a new auditor is appointed, either Audit Scotland or a private sector accountancy firm. Covid-19 had an impact on the 2019/20 audits of public sector bodies and the vast majority of these audits were reported later than normal. Planning for and potentially reporting of 2020/21 annual audit work is also being affected. In October 2020 Audit Scotland approved the extension of current audit appointments for a year to include the 2021/22 audit year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary audit procurement exercise during the pandemic.


Audit risks


7. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant audit risks for the council. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Significant risks for the 2020/21 audit of Dundee City Council


 Audit Risk	Source of management assurance	Planned audit work
Financial statement risks		
<p>1 Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focussed testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of material misstatement caused by fraud in revenue recognition</p> <p>As set out in ISA (UK) 240, there is a presumed risk of fraud in the recognition of income.</p> <p>The extent and complexity of the council's funding streams means there is a risk that income may be misstated and result in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Regular budget monitoring and reporting. Local code of corporate governance outlining the governance framework. Completion of annual governance statement checklists. Internal controls in financial systems to mitigate risks of error or manipulation. Internal audit reviews internal financial controls. 	<ul style="list-style-type: none"> Analytical procedures on income. Testing of key internal financial controls. Detailed testing of transactions focusing on the areas of greatest risk.
<p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>The extent and complexity of the council's expenditure means there is a risk that expenditure may be misstated and result in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Regular budget monitoring and reporting. Local code of corporate governance outlining the governance framework. Completion of annual governance statement checklists. Internal controls in financial systems to mitigate risks of error or manipulation. Internal audit reviews internal financial controls. Following an internal investigation into a contract award identified during 2019/20 a formal report will be taken to the relevant Committee as soon as it is possible to do so. 	<ul style="list-style-type: none"> Analytical procedures on expenditure. Testing of key internal financial controls. Detailed testing of transactions focusing on the areas of greatest risk. Audit work on the National Fraud Initiative matches. We will review the outcome of the investigation into the contract award.

 Audit Risk	Source of management assurance	Planned audit work
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of some material balance sheet assets/liabilities.</p> <ul style="list-style-type: none"> • Valuations on non-current assets rely on expert valuations and management assumptions. • The value of the council's pension liability is an estimate based on information provided by management and actuarial assumptions. • The council's provision for doubtful debts is based on management assessments of the recoverability of debts. • The council will need to consider the impact on the financial statements of a recent equal pay claim from the Trade Unions over what is claimed to be a discriminatory bonus scheme. <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Valuations and impairment review of non-current assets by professional valuer in line with 5 year rolling programme. • Actuarial valuation to provide pension figures for the financial statements and officer review of actuary information to ensure data and assumptions used are reasonable. • Valuations of fair value of investments by independent Treasury Management consultants. • Provision for doubtful debts based on aged debt approach, incorporating prior year experience. • Confirmation from legal services of all potential legal cases, together with an assessment of potential liability and likelihood of settlement. • The equal pay claim is currently being evaluated. • Other provisions calculations supported by clear evidence and / or robust assumptions. 	<ul style="list-style-type: none"> • Review of the work of an expert in accordance with ISA 620. This will apply to the work of the actuary, the property valuer and the treasury management advisers. • Review appropriateness of actuarial assumptions. • Review the provision for doubtful debts calculations to assess whether they are reasonable and complete based on the risk that the debt will not be recovered, and in line with historic experience. • Review of the council's evaluation and accounting for the equal pay claim • Focused testing of non-current assets, pensions, financial instruments and provisions, to ensure they are fairly reflected in the accounts.
<p>5 Group entities consolidation</p> <p>The council's relationships with organisations need to be reviewed annually to identify subsidiaries, associates and joint ventures for the group accounts. In particular, the consolidation of Leisure and Culture Dundee (LACD) needs to be reviewed as additional funding provided by the council to mitigate the impact of Covid-19 indicates a subsidiary relationship with the council.</p> <p>There is a risk that the group entities are not properly accounted for if the annual review of the group boundary is not completed.</p>	<ul style="list-style-type: none"> • Annual assessment of the group boundary. • The assessment includes consideration of the consolidation of LACD. 	<ul style="list-style-type: none"> • Review of the council's consideration of related parties to ensure all group entities are appropriately recognised. • Review of accounting basis for preparation of the group accounts. • Assessment of basis of consolidation of LACD.
<p>6 Covid-19 funding streams</p> <p>Councils are receiving additional funding to cover Covid-19 costs</p>	<ul style="list-style-type: none"> • Internal Audit has consulted with key services on the controls. 	<ul style="list-style-type: none"> • Review Scottish Government and CIPFA/LASAAC guidance.

	Audit Risk	Source of management assurance	Planned audit work
	<p>and are responsible for approving and distributing various grants and payments across a significant number of new funding streams.</p> <p>Due to the volume and complexity of the various schemes there is an increased risk of fraudulent claims and payments. In addition, there is a risk that the funding streams are not properly accounted for and disclosed in the 2020/21 annual accounts.</p>	<p>designed for all main payment streams.</p> <ul style="list-style-type: none"> The Corporate Fraud Team has worked closely with key services and external bodies to support prevention, detection and investigation. A record of all streams has been maintained and cross-checked against comprehensive tracker prepared by COSLA for all councils. 	<ul style="list-style-type: none"> Review of the controls in place for the payment of grants, with emphasis on the business support grant payments. Review of accounting treatment and disclosures in 2020/21 annual accounts to ensure this is consistent with relevant guidance.

Wider dimension risks

7	<p>Services pressures created by Covid-19</p> <p>The Covid-19 pandemic continues to place significant pressure on the provision of council services.</p> <p>There is risk that the pressures caused by the pandemic will impact on the council's performance and its ability to meet its strategic objectives.</p>	<ul style="list-style-type: none"> An update on the financial implications of the council's response to the Covid-19 emergency and financial recovery plan was considered by the Policy & Resources Committee in February 2021. A 3-year Covid-19 financial plan is being developed. Performance management framework improvements considered by the Policy & Resources Committee in March 2021. 	<ul style="list-style-type: none"> Monitoring the development of the Covid-19 financial plan. Ongoing monitoring of the council's performance reporting, and other reports and briefings on service impact of Covid-19. Review of annual performance report.
8	<p>Financial sustainability</p> <p>The council has a projected funding gap of £1.4 million for 2021/22 and a cumulative gap of £15.4 million by 2023/24. At the same time the council's projected uncommitted General Fund balance, as at 31 March 2021, remains relatively low at £8.0 million.</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</p>	<ul style="list-style-type: none"> Members considered the long-term financial outlook and financial strategy for 2020-2030 in August 2019. The 3-year provisional budget and reserve policy is agreed as part of the budget setting process. The council is to consider applying a range of Scottish Government sanctioned financial flexibility options in 2021/22 to mitigate some of the impact of Covid-19. Using CIPFA's Financial Management Code to assist the council in demonstrating financial sustainability in 2021/22. Progress with C2022 is regularly monitored. 	<ul style="list-style-type: none"> Continue to monitor the financial position throughout the year and provide an update in the 2020/21 Annual Audit Report. Consider the long-term affordability of budget decisions, including any planned use of reserves. Ongoing assessment of the council's long-term financial strategy, including the assumptions used. Review of the longer-term financial impact of the Covid-19 pandemic.

	Audit Risk	Source of management assurance	Planned audit work
	balance its budget whilst meeting its strategic priorities.		
9	<p>Capital project delays</p> <p>Gross capital expenditure is projected to be £46.1 million. This is a £20.6 million underspend against the original budget for 2020/21 of £66.8 million. The majority of this is due to the impact of Covid-19 and the ongoing restrictions on capital works.</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"> Regular capital monitoring reports to the Policy & Resources Committee. 	<ul style="list-style-type: none"> On-going monitoring of the capital budget, capital plans and monitoring reports.

Source: Audit Scotland

Grant claims and returns

8. The council is required to make various grant claims and returns to UK or Scottish Government departments. Such claims and returns require to be audited prior to submission. We will perform testing and provide audit certificates in accordance with guidance issued by Audit Scotland. We have planned for the following claims and returns for 2020/21:

- Housing benefit subsidy claim
- Non-domestic rates income return
- Education maintenance allowances return
- Whole of government accounts return.

9. Where unexpected claims or returns are received, or supporting working papers are not adequate, a supplementary fee may be requested.

Reporting arrangements

10. This audit plan, the outputs set out at [Exhibit 2](#), and any other outputs on matters of public interest will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

11. 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.

12. We will provide an independent auditor's report to Dundee City Council, and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the Executive Director of Corporate Services and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2020/21 Audit outputs

Audit Outputs	Target Date
Interim Management Report	16 June 2021
Independent Auditor's Report	29 October 2021 *
Annual Audit Report	29 October 2021 *

* The 2020/21 audit planning guidance sets a target sign-off deadline for all council audits as the end of October 2021.

Source: Audit Scotland

The audit of trusts registered as Scottish charities

13. The preparation and audit of financial statements 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.

14. 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. Members of Dundee City Council are sole trustees for three registered Scottish charities, with combined assets of almost £6 million.

15. In 2019/20 we reported that authorisation for the payment of grants from the Lord Provost of Dundee Charity Fund can be on a verbal basis, therefore documentation did not always reflect these authorisations prior to payment. Management agreed to implement a formal process and we will review progress with this in 2020/21.

Audit fee

16. The agreed fee for the 2020/21 audit of Dundee City Council is £364,970 (£355,710 in 2019/20). The agreed fee for the audit of the trusts registered as Scottish charities is £4,780 (audit fee also set at £4,780 in 2019/20). The combined fee is £369,750 (£360,490 in 2019/20).

17. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Scrutiny Committee and Executive Director of Corporate Services

18. Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. In Dundee City Council the Executive Director of Corporate Services is the proper officer (section 95 officer), with responsibility for the administration of financial affairs. The council has delegated responsibility for the oversight of internal and external audit to its Scrutiny Committee.

19. The audit of the annual accounts does not relieve management or the Scrutiny Committee, as those charged with governance, of their responsibilities.

Appointed auditor

20. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including supplementary guidance) and are guided by the Financial Reporting Council's Ethical Standard.

21. 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 audited body to manage its performance and use of resources. In doing this, we aim to support improvement and accountability

Audit scope and timing

Annual accounts

22. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Dundee City Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Dundee City Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements and determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

23. We will give an opinion on whether the financial statements:

- the annual accounts give a true and fair view of the state of affairs of the council and the income and expenditure for the year
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- the annual accounts have been prepared in accordance with relevant legislation.



characteristics



responsibilities



principal activities



risks



governance arrangements

Other information in the annual accounts

24. We also review and report on the management commentary, governance statement and remuneration report. We give an opinion on whether they have been prepared in accordance with the appropriate regulations and guidance. We also read and consider the other information in the annual accounts and report any material inconsistencies with the financial statements or our own knowledge of the audit.

Materiality

Materiality levels for the 2020/21 audit of Dundee City Council

25. We apply the concept of materiality in planning and performing the audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements in forming our opinions in the independent auditor's report.

26. We calculate materiality at different levels as described below. The calculated materiality values for Dundee City Council are set out in [Exhibit 3](#).

Exhibit 3

Materiality levels for the 2020/21 audit of Dundee City Council

Materiality values	Amount
Planning materiality: 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 for the year ended 31 March 2020 based on the latest audited accounts.	£7.55 million
Performance materiality: 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 calculated performance materiality at 60% of planning materiality.	£4.53 million
Reporting threshold: 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 the maximum allowable amount under Audit Scotland's audit approach guidance.	£0.25 million

Source: Audit Scotland

Materiality levels for the 2020/21 audit of trusts registered as Scottish charities

27. We set separate materiality levels for the audits of the charities' accounts, as detailed in [Exhibit 4](#) below. Materiality has not been set for the Dundee Trust due to the expectation that there will be no transactions for this Trust in 2020/21.

Exhibit 4

Trust materiality levels

Trust	Planning materiality *	Performance materiality **	Lower performance materiality ***	Reporting threshold
Dundee City Council Charitable Trusts	£115,000	£86,250	£700	£5,750
Lord Provost Charity Fund	£1,000	£750	£100	£100

* planning materiality based on 2% of the 2019/20 audited net asset value

** higher performance materiality based on 75% of planning materiality.

*** lower performance materiality based on 2% of 2019/20 gross payments



Source: Audit Scotland

Timetable

28. To support the efficient use of resources it is critical that a timetable is agreed with us for the production and audit of the annual accounts. The proposed timetable for the 2020/21 annual accounts is included at [Exhibit 5](#).

Exhibit 5

Annual accounts audit timetable

 Key Stage	 Date
Consideration of unaudited annual accounts by the Council	23 June 2021
Latest submission date for unaudited annual accounts with complete working papers package	30 June 2021
Latest date for final clearance meeting with Executive Director of Corporate Services	8 October 2021
Issue of letter of representation, proposed independent auditor's report and annual audit report	15 October 2021
Agreement of audited unsigned annual accounts	15 October 2021
Presentation of annual audit report to those charged with governance	To be agreed*
Meeting of the Council to approve the audited annual accounts for signature by the Leader of the Council, Chief Executive and Section 95 Officer	To be agreed*
Independent auditor's report certified by appointed auditor	29 October 2021

* See paragraph 29 below

Source: Audit Scotland

29. The 2020/21 audit planning guidance sets sign-off deadlines for all local government audits of the end of October 2021 and the dates included at [Exhibit 5](#) are based on this deadline. If issues arise during the course of the audit that mean this is not practical (i.e. impact of Covid-19 on the production or audit of accounts), then we will communicate this to the council at the earliest opportunity available and agree a revised timetable for the completion of the audit.

Internal audit

30. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an annual assessment of the internal audit function at audited bodies.

31. The internal audit function at Dundee City Council is provided by its in-house internal audit team. 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).

Using the work of internal audit

32. From our initial review of internal audit plans we do not plan to place formal reliance on internal audit's work for our financial statements audit. We do plan to consider internal audit's work for the purpose of our wider dimension audit responsibilities.

Audit dimensions

33. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 6](#). Our conclusions on the four dimensions will contribute to an overall assessment and assurance on best value.

Exhibit 6

Audit dimensions



Source: Code of Audit Practice

Financial management

34. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established, including any changes to these controls as a result of Covid-19.

Financial sustainability

35. We consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the council's financial sustainability. We will carry out work and conclude on the following areas:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- the longer-term financial impact of the Covid-19 pandemic
- monitoring the arrangements put in place by the council to minimise any disruption resulting from the UK's withdrawal from the European Union.

Governance and transparency

36. 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. We will review, conclude and report on:

- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports

- the quality and timeliness of financial and performance reporting
- whether governance arrangements are appropriate and operating effectively, including consideration of revised governance arrangements resulting from Covid-19.

37. An independent inquiry of mental health services across Tayside was conducted by Dr David Strang in 2019. His report was published in February 2020 and was highly critical of the service, including its governance and leadership. A further update report from Dr Strang is scheduled for June 2021. Although responsibility for leadership of the operational delivery of mental health services is delegated to NHS Tayside, the three councils in the area continue to be key partners in delivering these services. We plan to review the updated report from Dr Strang to inform of progress being made.

38. The Dundee Alcohol and Drugs Partnership (ADP) leads on multi-agency strategic activities to address the issue of drug use and deaths in Dundee, including the development of an Action Plan for Change (the action plan). Covid-19 has impacted on progress with the action plan and in September 2020 the ADP was asked to provide new suggested timescales, for the delivery of the action plan. A revised action plan was considered by the Policy and Resources Committee on 22 February 2021. We will review progress reported to members against this plan.

Value for money

39. Value for money refers to using resources efficiently and effectively and continually improving services. We will review, conclude and report on whether the council can demonstrate value for money in the use of resources and improved outcomes for residents, through our Best Value audit work.

Best Value

40. The [Dundee City Council Best Value Assurance Report](#) (BVAR) was published in September 2020. The BVAR was considered by the Council on 16 November 2020, together with an action plan in response to the improvement recommendations. Our best value work this year will focus on reporting the progress made against the recommendations in our 2020/21 Annual Audit Report

Independence and objectivity

41. Auditors appointed by 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.

42. The appointed auditor for Dundee City Council is Fiona Mitchell-Knight, Audit Director. The appointed auditor for the charitable trusts is Bruce Crosbie, Senior Audit Manager. 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 Dundee City Council or the charitable trusts.

Quality control

43. International Standard on Quality Control (UK and Ireland) 1 requires that a system of quality control is 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.

44. 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.

45. 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 welcome feedback at any time, and this may be directed to the engagement lead or to Audit Scotland's Audit Quality and Appointments group.

Dundee City Council

Annual Audit Plan 2020/21

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