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## **Scrutiny Committee – Audit of the 2020/21 Annual Accounts of Dundee City Council and the registered charities administered by the council**

**17 November 2021**

### **Independent auditor's report**

1. Our audit work on the 2020/21 annual accounts of Dundee City Council and the registered charities administered by the council is now substantially complete. Subject to receipt of revised annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's reports on 18 November 2021. The proposed audit certificates are attached at [Appendix A](#) (Dundee City Council and its Group), [Appendix C](#) (Dundee City Council Charitable Trusts), [Appendix D](#) (Lord Provost of Dundee Charity Fund) and [Appendix E](#) (The Dundee Trust).

### **Annual audit report**

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Scrutiny Committee's consideration our proposed annual report on the 2020/21 audit. Exhibit 2 titled "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the Dundee City Council annual accounts. Our report also includes the "Significant findings from the audit of the section 106 Charitable Trusts financial statements" at Exhibit 4.

3. The annual audit report also sets out conclusions from our consideration of the four audit dimensions (financial management, financial sustainability, governance and transparency, and best value) that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. The annual audit report will be issued in its final form after the audited annual accounts have been certified by the appointed auditor.

### **Unadjusted misstatements**

5. We are required to report to those charged with governance, all unadjusted misstatements, other than those of a trivial nature and request that they be corrected. We can confirm that all such monetary errors identified from our audit have been corrected in the financial statements by management.

### **Fraud, subsequent events and compliance with laws and regulations**

6. In presenting this report to the Scrutiny Committee we seek confirmation, from those charged with governance, of any instances of actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

### **Representations from Section 95 Officer**

7. As part of the completion of our audit, we are seeking written representations from the Executive Director of Corporate Services, as Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.

**8.** Template letters of representation are attached for Dundee City Council ([Appendix B](#)) and the section 106 charitable trusts which are administered by the council ([Appendix F](#)). The letters of representation for the council and the charitable trusts should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

## **Acknowledgement**

**9.** We would like to thank all management and staff for their cooperation and assistance during the audit.

## Appendix A: Proposed Independent Auditor's Report for Dundee City Council

### Independent auditor's report to the members of Dundee City Council and the Accounts Commission

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Dundee City Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council-only Expenditure and Funding Analysis, the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Council Tax Income Account, Non-Domestic Rate Income Account, Housing Revenue Account, Common Good Fund Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is five years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

##### Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### **Responsibilities of the Executive Director of Corporate Services and the Scrutiny Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Executive Director of Corporate Services is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Corporate Services is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Scrutiny Committee is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Reporting on other requirements**

### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

I have audited the part of the Annual Remuneration Report described as audited. In my opinion, the audited part of the Annual Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

## **Statutory other information**

The Executive Director of Corporate Services is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Annual Remuneration Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

## **Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement**

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

## **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

## **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

## **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA  
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## Appendix B: Template Letter of Representation (ISA 580) for Dundee City Council

<Signed copy of ISA 580 letter to be provided on headed paper with signed 2020/21 Annual Accounts>

Fiona Mitchell-Knight  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

17 November 2021

Dear Fiona

### **Dundee City Council Annual Accounts 2020/21**

1. This representation letter is provided for your audit of the annual accounts of Dundee City Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Council Management Team, the following representations given to you in connection with your audit of Dundee City Council's annual accounts for the year ended 31 March 2021.

### **General**

3. Dundee City Council and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Dundee City Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

**6.** In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Dundee City Council and its group at 31 March 2021 and the transactions for 2020/21.

### **Accounting Policies & Estimates**

**7.** All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Dundee City Council circumstances and have been consistently applied.

**8.** The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

**9.** I have assessed Dundee City Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Dundee City Council's ability to continue as a going concern.

### **Assets**

**10.** Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2021 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

**11.** I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

**12.** I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2021.

**13.** There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

**14.** Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Liabilities**

**15.** All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.

**16.** Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2020/21 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2021. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.



**17.** Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2021 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

**18.** The accrual recognised in the financial statements for holiday untaken by 31 March 2021 has been estimated on a reasonable basis.

**19.** The pension assumptions made by the actuary in the IAS 19 report for Dundee City Council have been considered and I confirm that they are consistent with management's own view.

**20.** There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

**21.** There are no significant contingent liabilities, other than those disclosed in the relevant note to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and IAS 37

**22.** With specific reference to equal pay claims I can confirm that it is not possible to quantify the contingent liability.

### **Letters of comfort**

**23.** I have provided copies of any "letters of comfort" issued by the council and also made you aware of any other arrangements in place to provide financial or non-financial support to external bodies.

### **Fraud**

**24.** I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

**25.** I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

**26.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have

made available to you the identity of all the Dundee City Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

**27.** The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management commentary**

**28.** I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

### **Corporate Governance**

**29.** I confirm that Dundee City Council has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

**30.** I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

### **Group Accounts**

**31.** I have identified all the other entities in which Dundee City Council has a material interest and have classified and accounted for them in accordance with the 2020/21 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

### **Events Subsequent to the Date of the Balance Sheet**

**32.** All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Robert Emmott  
Executive Director of Corporate Services

## Appendix C: Proposed Independent Auditor's Report for Dundee City Council Charitable Trusts

### Independent auditor's report to the trustees of Dundee City Council Charitable Trusts and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Dundee City Council Charitable Trusts for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2021 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### Opinion prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

### Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith CPFA  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

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Richard Smith is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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## Appendix D: Proposed Independent Auditor's Report for the Lord Provost of Dundee Charity Fund

### Independent auditor's report to the trustees of the Lord Provost of Dundee Charity Fund and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Lord Provost of Dundee Charity Fund for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2021 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### Opinion prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

### Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Richard Smith CPFA  
Senior Audit Manager  
Audit Scotland  
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Richard Smith is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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## Appendix E: Proposed Independent Auditor's Report for the Dundee Trust

### Independent auditor's report to the trustees of the Dundee Trust and the Accounts Commission

#### Report on the audit of the financial statements

##### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of the Dundee Trust for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2021 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

##### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charity is complying with that framework;
- identifying which laws and regulations are significant in the context of the charity;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charity's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Reporting on other requirements

### Statutory other information

The trustees are responsible for the statutory other information in the statement of accounts. The statutory other information comprises the Trustees' Annual Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

### Opinion prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

### Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith CPFA  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

*Leave space for date (date assigned by DocuSign software)*

Richard Smith is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

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## **Appendix F: Template Letter of Representation (ISA 580) for Dundee City Council Charitable Trusts, Lord Provost of Dundee Charity Fund and The Dundee Trust**

<Signed copy of ISA 580 letter to be provided on headed paper with signed 2020/21 Annual Accounts>

Richard Smith  
Senior Audit Manager  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

17 November 2021

Dear Richard

**Dundee City Council Charitable Trusts  
Lord Provost of Dundee Charity Fund  
The Dundee Trust**

### **Annual Accounts 2020/21**

1. This representation letter is provided in connection with your audit of the financial statements of Dundee City Council Charitable Trusts, the Lord Provost of Dundee Charity Fund and the Dundee Trust (the Trusts) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements properly presents the financial position of the Trusts as at 31 March 2021 and their receipts and payments for the year then ended.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the trustees, the following representations given to you in connection with your audit for the year ended 31 March 2021.

### **General**

3. I acknowledge my responsibility and that of the trustees, for the preparation of the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the Trusts have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.

4. The information given in the Trustees' Reports present a balanced picture of the Trusts and is consistent with the financial statements.

5. I confirm that there are no uncorrected misstatements.

### **Financial reporting framework**

6. The financial statements have been prepared in accordance with the requirements of Local Government (Scotland) Act 1973 including all relevant presentation and disclosure

requirements. The financial statements also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 and guidance issued by the Office of the Scottish Charity Regulator (OSCR).

7. Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each charity for the year ended 31 March 2021.

### **Accounting policies**

8. The financial statements have been prepared on a receipts and payments basis in accordance with applicable regulations and the founding documents of the Trusts.

### **Going Concern**

9. The Trustees have assessed the ability of the Trusts to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

### **Related party transactions**

10. There were no related party transactions with any party other than Dundee City Council as administering agent.

### **Events subsequent to the balance sheet date**

11. There have been no material events since the date of the statement of balances which necessitate revision of the figures in the financial statements or notes thereto, including contingent assets and liabilities.

12. Since the date of the statement of balances no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

### **Corporate governance**

13. The business of the Trusts is recorded in the systems of Dundee City Council. As section 95 officer for Dundee City Council, I confirm that there are no issues or deficiencies in internal control that require to be disclosed within the financial statements of the Trusts.

### **Fraud**

14. I have considered the risk that the financial statements may be materially misstated as a result of fraud or irregularity. There have been no actual or alleged frauds or irregularities involving trustees or staff of Dundee City Council that could affect the financial statements of the Trusts.

### **Assets**

15. The assets shown in the statement of balances at 31 March 2021 were owned by the Trusts. Assets are free from any lien, encumbrance or charge. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.

### **Liabilities**



**16.** There were no liabilities to be provided for in the financial records as at 31 March 2021.

Yours sincerely

Robert Emmott

Executive Director of Corporate Services, Dundee City Council, for and on behalf of the trustees of the Trusts administered by Dundee City Council.

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# Dundee City Council

## Proposed 2020/21 Annual Audit Report



 **AUDIT SCOTLAND**

Prepared for Dundee City Council and the Controller of Audit

17 November 2021

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# Contents

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Key messages	3
Introduction	5
1. Audit of 2020/21 annual accounts	7
2. Financial management	17
3. Financial sustainability	23
4. Governance and transparency	30
5. Best Value	36
Appendix 1 - Action plan 2020/21	47
Appendix 2 - Significant audit risks identified during planning	50
Appendix 3 - Summary of national performance reports 2020/21	55

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# Key messages

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## 2020/21 annual accounts

- 1 The financial statements of Dundee City Council, and its group, give a true and fair view of its financial position for the year ended 31 March 2021.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 3 The statement of accounts of the three section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2021 and its statement of balances at that date.
- 4 The continuing impact of Covid-19 led to delays in the audit timetable but the 2020/21 audited annual accounts have been certified in line with the revised government timescales.

## Financial management

- 5 Financial management is effective and additional monitoring reports on the financial impact of the council's response to the Covid-19 emergency have been discussed by the Policy and Resources Committee from August 2020 onwards.
- 6 The council received around £40 million of direct funding, and administered around £50 million of agency income, to alleviate the impact of the Covid-19 pandemic on individuals, businesses and the economy.
- 7 Reduced service activity and additional Covid-19 funding resulted in the council reporting a £36 million underspend against its 2020/21 revenue budget. An underspend of £1.3 million was reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity, but this work will need to be completed in future years.
- 8 The Covid-19 pandemic also impacted upon the delivery of the 2020/21 Capital Plan with only 44 per cent of the plan being delivered, and a number of projects being deferred or delayed.
- 9 Financial systems of internal control operated effectively during the year.

## Financial sustainability

- 10 The council's usable reserves increased by £28.4 million over the last 12 months, but these funds will be required in future years to meet the ongoing financial pressures created by the pandemic.

- 11** The Council approved a general fund revenue budget for 2021/22 of £373 million based on freezing council tax and the delivery of in-year savings of £1.4 million. The Council also approved a 1.5 per cent increase in rent levels for 2021/22 to fund the annual HRA budget of £55.8 million.
- 12** The 2021-2026 Capital Plan sets out a £386 million programme of expenditure which includes improvements to the school estate and investment in new and existing housing stock.
- 13** Future financial plans are challenging with a cumulative funding gap of £25.5 million projected for the period 2021-2024 and the long-term financial strategy will need to be revised to reflect the longer-term financial impact of the Covid-19 pandemic.

## Governance and transparency

- 14** Since March 2020, the council has revised its governance arrangements to reflect how it has responded to the Covid-19 pandemic.
- 15** The governance arrangements are described in the Annual Governance Statement. We have concluded that the revised arrangements are appropriate and continue to support good governance and transparency.
- 16** The council conducts its business in an open and transparent manner and provided clear information for residents on services affected by the Covid-19 pandemic.
- 17** The management commentary in the 2020/21 annual accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year, including the impact of Covid-19 and the funding and support received.

## Best Value

- 18** Despite the impact Covid-19 has had on the council, good progress has been made in implementing many of the actions to deliver the recommendations for improvement from the Best Value Assurance Report.
- 19** The council has adapted well to delivering services in the Covid-19 environment. Service performance has been impacted in some areas but performance against 54 per cent of the Council Plan indicators was maintained at the 2019/20 levels.
- 20** The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality has been exacerbated by the impact of the pandemic.



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# Introduction

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1. This report summarises the findings arising from the 2020/21 audit of Dundee City Council (the council) and its group.
2. We aim to add value to the council through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvement
  - reporting our findings and conclusions in public
  - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

## Scope of our audit

3. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the April 2021 meeting of the Scrutiny Committee. This report comprises the findings from:
  - our audit of the council and its group's annual accounts, and the statement of accounts of the Section 106 charities administered by the council,
  - a review of the council's key financial systems,
  - our consideration of the wider dimensions of public sector audit (financial management, financial sustainability, governance and transparency, and value for money) as set out in the [Code of Audit Practice 2016](#),
  - audit work covering the council's arrangements for securing best value, including consideration of the findings and recommendations from our [Best Value Assurance Report \(September 2020\)](#).

## Impact of Covid-19

4. The global coronavirus pandemic has impacted on all public organisations since March 2020. This has had major implications for the council during 2020/21 in terms of the services it delivers, sickness absence levels, and the delivery of non-essential projects and activities, such as capital construction, particularly during the early part of the year. Known risks related to the pandemic were included in our plan, and we have adapted our audit work during the year to address any new risks that have emerged.

## Auditor independence

5. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.
6. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £369,750 (which includes £4,780 for the audit of the three section 106 charities administered by the council) as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Responsibilities and reporting

7. The council has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#), International Standards on Auditing in the UK, and supplementary guidance.
9. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, its financial position and financial sustainability, and the arrangements in place for securing Best Value.
10. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
11. This report raises matters from our audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
12. An agreed action plan setting out specific recommendations, responsible officers and dates for implementation is included at [Appendix 1](#).
13. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Acknowledgement

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# 1. Audit of 2020/21 annual accounts

The annual accounts are the principal means of an organisation accounting for the stewardship of resources and its performance in using those resources

## Main judgements

The financial statements of Dundee City Council, and its group, give a true and fair view of its financial position for the year ended 31 March 2021.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The statement of accounts of the three section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2021 and its statement of balances at that date.

The continuing impact of Covid-19 led to delays in the audit timetable but the 2020/21 audited annual accounts have been certified in line with the revised government timescales.

## Our audit opinions on the annual accounts are unmodified

**15.** The annual accounts for the council and its group for the year ended 31 March 2021 were approved by the Scrutiny Committee on 17 November 2021, and certified by the appointed auditor on 18 November 2021. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

## The continuing impact of Covid-19 led to delays in the audit timetable but the 2020/21 audited annual accounts have been certified in line with the revised government timescales

**16.** As a result of the continuing impact of the Covid-19 pandemic, the submission deadlines for the 2020/21 audited annual accounts and annual audit reports in Local Government were revised to 30 November 2021.

**17.** As the audit team were aware that Covid-19 would have an impact on the audit resources available during July and August, due to the knock-on effect of other audits finishing later than normal, and that certain tasks would take longer to complete when working remotely; we agreed with management in June 2021 that we would work to these revised deadlines to complete the 2020/21 audit.

**18.** Throughout the audit process there has been on-going discussions with management and their support enabled the audit to proceed as planned. The working papers provided to support the unaudited accounts were substantially complete and finance staff provided good support to the audit team.

**19.** The conclusion of the audit and approval of the accounts was in line with the revised timetable permitted by the Scottish Government, with the audited accounts signed after the Scrutiny Committee meeting on 17 November 2021. There has been no impact on the scope of our audit from the remote completion of the audit.

### **The inspection notice was placed in accordance with the required regulations and no objections were raised to the 2020/21 annual report and accounts**

**20.** Regulation 9 of the [Local Authority Accounts \(Scotland\) Regulations 2014](#) requires a local authority to publish a public notice on its website of the right to inspect its annual accounts. This must remain on the website throughout the inspection period. As part of our audit we confirmed that the 2020/21 Annual Accounts inspection notice, published on the council's website, complied with the regulations.

**21.** The regulations also require a local authority to give the right of interested persons to object to its accounts, as provided for by section 101 (rights of interested persons to inspect and copy documents and to object to accounts) (11) of the 1974 Act. No objections were raised to the 2020/21 Annual Accounts.

### **Our audit approach and testing reflected the overall materiality level of £7.6 million**

**22.** Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

**23.** Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the financial results reported in the 2019/20 audited Annual Accounts. These materiality levels were reported in our Annual Audit Plan presented to the Scrutiny Committee in April 2021.

**24.** On receipt of the unaudited 2020/21 Annual Accounts we recalculated our materiality levels based on the financial results for the year ended 31 March

2021. Our audit approach and testing were adapted to reflect the recalculated materiality levels. Our final materiality levels are detailed in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Amount
<b>Overall materiality:</b> This is the calculated figure we use in assessing 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 2021.	£7.584 million
<b>Performance materiality:</b> 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 overall materiality.	£4.550 million
<b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 4% of overall materiality (capped at £250,000).	£250 thousand

Source: Audit Scotland

## Our audit identified and addressed the significant risks of material misstatement

**25.** [Appendix 2](#) provides our assessment of the significant risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influenced our overall audit strategy and the allocation of staff resources to the audit, and indicate where the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

## We reported the significant findings from the audit to those charged with governance prior to the annual accounts being approved and certified

**26.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

**27.** The significant findings are summarised in [Exhibit 2](#). Our audit also identified some presentation and disclosure issues which were discussed with management. These were all adjusted in the audited accounts and none were significant enough to require to be separately reported under ISA 260.

**Exhibit 2****Significant findings from the audit in accordance with ISA260**

Issue	Resolution
<p><b>1. Remuneration report – Senior Employees disclosures</b></p> <p>Under section 6(b) of the Local Government and Housing Act 1989, the Senior Employee disclosures in the remuneration report is required to include the Chief Social Work Officer appointed under the Social Work (Scotland) Act 1968. The individual holding this position was omitted from the remuneration report in the unaudited 2020/21 annual accounts.</p>	<p>Details of the remuneration and accrued pension benefits of the Chief Social Work Officer during 2019/20 and 2020/21 have now been added to the disclosures within tables 2 and 4 in the remuneration report in the audited 2020/21 annual accounts.</p>
<p><b>2. Remuneration report - Trade Union (Facility Time Publication Requirements) Regulations 2017 disclosures</b></p> <p>The Trade Union (Facility Time Publication Requirements) Regulations 2017 require a range of information in relation to the time and costs of employee involvement in trade union activity to be published by the council each year. Guidance from the Cabinet Office indicates that this should be disclosed in the remuneration report. These disclosures were not included in the unaudited 2020/21 annual accounts.</p>	<p>Management advised that the information required for the Trade Union (Facility Time Publication Requirements) Regulations 2017 disclosures is not yet available for 2020/21 but will be published on the council website in due course. A narrative disclosure has therefore been added to the remuneration report in the audited 2020/21 annual accounts detailing that this information has been omitted and the reasons for this.</p> <p>Management has agreed to put arrangements in place to ensure the required information is collated and disclosed in the remuneration report in the 2021/22 annual accounts.</p> <p><b>Recommendation 1 at <a href="#">Appendix 1</a></b></p>
<p><b>3. Accounting treatment of Coronavirus payment to health and social care staff</b></p> <p>In November 2020 the First Minister announced a one-off £500 payment for Scotland's health and social care staff as frontline workers throughout the Covid-19 pandemic.</p> <p>Initial guidance suggested that local authorities should account for this as a 2020/21 transaction as the obligating event occurred during the year, even though the actual payments and funding would not be made / received until 2021/22. As a result,</p>	<p>Following the change in guidance, management has made the necessary adjustments in the audited 2020/21 annual accounts.</p> <p>These reduced both the 'Short Term Debtors' and 'Short Term Creditors' balances in the Balance Sheet by £2.609 million and therefore had a nil impact on the 'Net Assets' figure.</p>



Issue	Resolution
<p>the council included a creditor of £2.609 million for the payments due to staff, and a corresponding debtor of £2.609 million for the funding due from the Scottish Government, in its unaudited 2020/21 annual accounts.</p> <p>During the course of the audit further guidance was issued that changed this guidance and said that this should be accounted for as a 2021/22 transaction to reflect the actual payment date.</p>	
<p><b>4. Credit balances included within short-term debtors balance</b></p> <p>Our testing of the short-term debtors balance as at 31 March 2021 identified £0.604 million of credit balances contained within the overall debit balance, rather than being included as part of the short-term creditors balance. As a result, both the short-term debtors and short-term creditors balances were understated by £0.604 million in the unaudited 2020/21 annual accounts.</p>	<p>Management has made the necessary adjustments in the audited 2020/21 annual accounts.</p> <p>These increased both the 'Short Term Debtors' and 'Short Term Creditors' balances in the Balance Sheet by £0.604 million and therefore had a nil impact on the 'Net Assets' figure.</p>
<p><b>5. Equal pay claim</b></p> <p>In February 2021, the trade unions submitted a collective equal pay claim against Dundee City Council on behalf of their members under the Equality Act 2010. As the claim is currently being evaluated by the council it was disclosed as an unquantified contingent liability in <i>Note 35. Contingent Liabilities</i> in the unaudited 2020/21 annual accounts.</p> <p>As part of our audit testing we reviewed the accounting treatment of the equal pay claim against the requirements of <i>IAS37 - Provisions, Contingent Liabilities and Contingent Assets</i>.</p>	<p>Based on the current status of the equal pay claim we have accepted that is its appropriate for it to be disclosed as an unquantified contingent liability in Note 35. Contingent Liabilities in the audited 2020/21 annual accounts. This is based on the fact that there is not yet sufficient certainty that there will be a cash outflow for the council to provide for the claim, or to the value of any potential outflow for the contingent liability to be quantified.</p> <p>We will continue to monitor this issue during 2021/22 and reassess it against the requirements of IAS37 as part of our financial statements audit based on the status of the claim at that point.</p>
<p><b>6. Source data for calculation of estimates</b></p> <p>As part of our audit testing we reviewed the underlying records used in the calculation of the significant estimates included in the Balance Sheet in the unaudited 2020/21 annual accounts, to ensure these provide a</p>	<p>We are satisfied that the estimates in the 2020/21 annual accounts are not materially misstated, however, we recommend that data used in the calculations for the 2021/22 annual accounts is updated to ensure the figures represent the most accurate estimates possible based on the data available.</p>

Issue	Resolution
<p>sound basis for the council to calculate the related liabilities.</p> <p>We concluded that the basis for estimating the following liabilities could be improved by using more relevant data:</p> <ul style="list-style-type: none"> <li>the provision required for the impairment of debts for irrecoverable rents (i.e. HRA bad debt provision), and</li> <li>the accrual required for untaken annual leave at 31 March 2021.</li> </ul>	<p><b>Recommendation 2 at <a href="#">Appendix 1</a></b></p>
<p><b>7. Non-current assets records</b></p> <p>During the audit we identified a number of housekeeping issues with the non-current asset records maintained by the council, including the inappropriate grouping of assets and a large number of assets with a nil value that have not been reviewed to confirm they are still in operational use.</p>	<p>These issues do not represent any risk of material misstatement in the non-current asset balances in the 2020/21 annual accounts, however, we recommend that they are addressed during 2021/22 to ensure that the asset records more accurately reflect the council's actual asset base.</p> <p><b>Recommendation 3 at <a href="#">Appendix 1</a></b></p>

Source: Audit Scotland

## We have no material unadjusted errors to report

**28.** It is our responsibility to request that all misstatements above the reporting threshold are corrected. The £2.609 million adjustment in respect of the accounting treatment of the Coronavirus payment to health and social care staff (issue 3 in [Exhibit 2](#)) and the £0.604 million adjustment for the credit balances included within short-term debtors balance (issue 4 in [Exhibit 2](#)) were the only monetary errors identified during the audit that exceeded our reporting threshold of £0.250 million. As management corrected this error in the audited annual accounts, we have no material unadjusted errors to report.

## We are satisfied with the evidence provided by the council to support the 2020/21 land and property assets valuations in the annual accounts

**29.** Our audit opinion on the 2019/20 annual accounts included an emphasis of matter paragraph to draw attention to the council's disclosure of material uncertainty in the valuation of its property assets, due to the impact of Covid-19 on global markets. As part of our 2020/21 audit we reviewed the valuation report, and the wider market conditions, to establish whether any similar material uncertainty existed at 31 March 2021. Based on this work, and discussions with the Valuer, we are content that no such uncertainty exists in the valuation of the property assets this year.



**30.** Dundee City Council, like the majority of Scottish councils, carries out a rolling revaluation programme for its land and property assets. All categories of assets are revalued at least every 5 years. We are satisfied with the evidence provided by the council to support the 2020/21 land and property assets valuations in the annual accounts. From 2021/22, in years where a class of assets is not subject to revaluation, the council has agreed to document how it has concluded that the asset values in the annual accounts are fairly stated. Where these reviews indicate a more frequent revaluation of an asset category is required this will be carried out.

### **The financial results of Leisure and Culture Dundee were consolidated on a subsidiary basis within the group statements in the 2020/21 annual accounts**

**31.** As set out in our Annual Audit Plan, the council is required to review its relationships with all external organisations each year to establish how they should be accounted for within the group statements in the annual accounts. There were specific risks around this for 2020/21 due to the impact of the Covid-19 pandemic on the operation of those organisations during the course of the financial year.

**32.** The council completed its annual assessment of the group boundary and concluded that the financial results of Leisure and Culture Dundee (LACD) should be consolidated on a subsidiary basis within the group statements in the 2020/21 annual accounts. This was a change from prior year's when LACD has been accounted for as an associate. This assessment was based on the level of financial support provided to LACD by the council in the wake of the Covid-19 pandemic (payments of over £9 million were made to LACD during 2020/21), and the other assurances provided to LACD as set out in the "letters of comfort" sent from the Chief Executive of the council to the Managing Director of LACD.

**33.** As part of our financial statements audit we reviewed the group statements in the council's 2020/21 annual accounts and confirmed that the financial results of all group bodies had been consolidated in-line with the group boundary assessment.

### **The deadline for the submission of the council's WGA return has been extended for 2020/21**

**34.** The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council is required to provide information in a WGA return and external auditors are required to review and provide assurance on the WGA return. HM Treasury have informed LG bodies in Scotland that the WGA data collection tool will not be available until December 2021 at the earliest and therefore the submission deadline will be extended in to 2022. In accordance with the WGA guidance we will complete the required assurance statement and submit it to the National Audit Office once the WGA return is completed by the council.

## We have given unqualified audit opinions on the financial statements of the Section 106 charities administered by the council

**35.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity administered by the council, irrespective of the size of the charity.

**36.** The council administers six charities registered under section 106. However, it is only required to produce three sets of accounts covering these: the Dundee City Council Charitable Trusts (incorporating four trust funds), the Dundee Trust and the Lord Provost of Dundee Charity Fund. All are prepared on a receipts and payment basis and the movement in the funds held by these charities during the year is shown in [Exhibit 3](#).

### Exhibit 3

#### Movement in funds held by charities administered by Dundee City Council

Charitable Trust Fund	Scottish Charity Number	Opening balance at 1 April 2020 £	Closing balance at 31 March 2021 £
Belmont Trust Estate	SC018900	185,495	185,495
Camperdown Estate	SC018899	2,534	2,534
William Dawson Estate Trust	SC018920	6,487	6,532
Hospital Fund	SC018896	719,057	732,995
<b>Total funds of Dundee City Council Charitable Trusts</b>		<b>913,573</b>	<b>927,556</b>
<b>The Dundee Trust</b>	<b>SC046260</b>	<b>Nil</b>	<b>Nil</b>
<b>Lord Provost of Dundee Charity Fund</b>	<b>SC027022</b>	<b>46,103</b>	<b>45,566</b>

Source: Trustees report and accounts for the year ended 31 March 2021

**37.** The Trust Fund balances are disclosed in a note in Dundee City Council's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents figure shown in the council's balance sheet.

**38.** Our duties as auditors of the charities administered by Dundee City Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation

- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator (OSCR).

**39.** We have given unqualified audit opinions on the financial statements of the Section 106 charities administered by the council and the significant findings from the audits are summarised in [Exhibit 4](#).

## Exhibit 4

### Significant findings from the audit of the section 106 Charitable Trusts financial statements

Issue	Resolution
<p><b>1. Dundee City Council Charitable Trusts – Camperdown Estate dwellings</b></p> <p>Asset of £157,500 categorised as dwellings in the prior year were recategorised as operational land and buildings (£149,625) and community assets (£7,875) in the unaudited DCCCT annual accounts.</p> <p>Discussion with management confirmed that these had been recategorised in error and should still be disclosed as dwellings.</p>	<p>Management has made the necessary adjustments in the audited 2020/21 DCCCT annual accounts.</p>
<p><b>2. Dundee City Council Charitable Trusts – Hospital Fund grants</b></p> <p>The 2020/21 grant letters relating to a number of Hospital Fund grant payments (totalling £3,000) were archived during the transition to a new e-mail system in August 2020 and cannot be accessed. As a result we were not able to verify the basis of these payments to the supporting grant letters.</p>	<p>Copies of the corresponding grant letters for 2021/22 were provided for examination which confirmed these were all valid payments. No further action required.</p>
<p><b>3. Dundee City Council Charitable Trusts – Belmont Trust Estate surplus</b></p> <p>The Belmont Trust Estate surplus for the year of £9,000 was transferred to Neighbourhood Services to cover the costs associated with maintaining the grounds during the year (e.g. cyclical maintenance, shrub pruning, grass cutting, etc.). Management advised that as this arrangement dates back to before local government reorganisation in 1996 they do not seek trustee approval for the annual transfer.</p>	<p>As this is a long-standing arrangement, and the actual costs associated with the maintenance works undertaken by Neighbourhood Services would have exceeded £9,000, we have accepted this as a valid transfer. No further action required.</p>

## **A formal process has been introduced to ensure an adequate audit trail exists for all payments from the Lord Provost of Dundee Charity Fund**

**40.** 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 no adequate audit trail existed for the authorisation of these payments. Management agreed to implement a formal process to ensure that all authorisations are adequately documented going forward.

**41.** We are pleased to report that a formal process has now been introduced to ensure an adequate audit trail exists for all payments and e-mail authorisations were provided for every payment made from the Lord Provost of Dundee Charity Fund during 2020/21.

## **The trustees of the Dundee Trust should consider the future use of the trust as it no longer holds any funds or assets**

**42.** As the appointed auditors of the Section 106 charities administered by the council, we are required to consider whether the funds held within the trusts are being used for the purposes intended. This includes reporting any inappropriate use of funds or prolonged lack of activity.

**43.** During 2019/20 the funds held in the Dundee Trust were donated to the Lord Provost of Dundee Charity Fund leaving it with a nil balance at 31 March 2020 and again at 31 March 2021, as shown in [Exhibit 3](#) above. The trust also holds no assets so is effectively dormant. Given this, the trustees should consider the future use of the trust.

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## **Charities recommendation 1**

The trustees of the Dundee Trust should consider the future of the trust and make a decision as to how this will be used going forward. This would include consideration of whether steps should now be taken, in coordination with the Office of the Scottish Charity Regulator, to wind it up.

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## **Progress was made in addressing our prior year recommendations, although the council's longer-term financial plans still require to be updated to reflect the impact of the Covid-19 pandemic**

**44.** The council has made progress in addressing our two prior year recommendations to: ensure all authorisations for payments from the Lord Provost of Dundee Charity Fund are adequately documented (paragraphs [40.](#) [41.](#)) and to continue to assess the financial impact of Covid-19 on its services (paragraph [50.](#)). However, as is the case with many councils, the longer-term financial plans will need to be updated to reflect the impact of the Covid-19 pandemic when there is greater certainty on what this means for services (paragraphs [91.](#) and [92.](#)).

## 2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

### Main judgements

Financial management is effective and additional monitoring reports on the financial impact of the council's response to the Covid-19 emergency have been discussed by the Policy and Resources Committee from August 2020 onwards.

The council received around £40 million of direct funding, and administered around £50 million of agency income, to alleviate the impact of the Covid-19 pandemic on individuals, businesses and the economy.

Reduced service activity and additional Covid-19 funding resulted in the council reporting a £36 million underspend against its 2020/21 revenue budget. An underspend of £1.3 million was reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity, but this work will need to be completed in future years.

The Covid-19 pandemic also impacted upon the delivery of the 2020/21 Capital Plan with only 44 per cent of the plan being delivered, and a number of projects being deferred or delayed.

Financial systems of internal control operated effectively during the year.

### **Financial management is effective and additional monitoring reports on the financial impact of the council's response to the Covid-19 emergency have been discussed by the Policy and Resources Committee from August 2020 onwards**

**45.** As reported in our [Best Value Assurance Report \(September 2020\)](#), the council has a well established budget setting process that supports councillors to develop and scrutinise savings plans and understand the impact of proposed service changes. The annual budget setting process is informed by a public consultation exercise and is focussed on the council's priorities.

**46.** In March 2020 the council approved a general fund revenue budget for 2020/21 of £367 million. The budget was based on a 4.8 per cent increase in council tax levels and included net savings of £7.8 million. The council did not anticipate the use of reserves to fund revenue expenditure during 2020/21.

**47.** The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year. In January 2020 the council approved a 3% increase in the average weekly rent levels for tenants for 2020/21. The rent level set reflected the income required to fund the annual HRA budget of £55 million.

**48.** The council operates a rolling five-year capital programme. The 2020-2025 Capital Plan was approved in February 2020. The plan detailed a £375 million programme of work, split between £260 million of general fund projects and £115 million of housing revenue account projects, with expenditure of £107 million (£75 million general fund projects and £32 million HRA projects) scheduled for 2020/21.

**49.** The 2020/21 revenue budgets and 2020-2025 capital plan were both developed prior to the Covid-19 outbreak in the UK. The pandemic had major implications for the council during 2020/21 in terms of the services it delivers and the suspension of non-essential projects and activities, including capital construction, particularly during the early part of the year.

**50.** To ensure that councillors were sighted on the ongoing financial impact of the pandemic throughout the year, additional monitoring reports on the financial impact of the council's response to the Covid-19 emergency have been discussed by the Policy and Resources Committee from August 2020 onwards. The key financial risks have also been reflected in the Covid-19 Risk Register and Corporate Risk Register during 2020/21.

**The council received around £40 million of direct funding, and administered around £50 million of agency income, to alleviate the impact of the Covid-19 pandemic on individuals, businesses and the economy**

**51.** The unprecedented impact on public finances of the Covid-19 pandemic is reported in the [Local Government in Scotland Overview 2021](#). Both the Scottish and UK governments have provided substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

**52.** During 2020/21 Dundee City Council received around £40 million of additional Scottish Government funding towards the additional service costs associated with the Covid-19 pandemic, through 53 separate support schemes. These schemes covered a range of areas including money for welfare and hardship funds, free school meals and community food funding, vulnerable children and young people, community mental health, and additional teachers and support staff.

**53.** The council was also required to administer around £50 million of agency income for 16 separate Covid-19 support schemes. The majority of this income was for the business support grant scheme with payments totalling around £45 million made by 31 March 2021. The other support schemes where the council



acted as an agent included payments to childcare providers, taxi drivers grants, retail and hospitality top-up support.

**54.** While the provision of additional Scottish Government financial support was essential to alleviate the impact of the pandemic, we noted that managing the volume and complexity of the various Covid-19 support schemes created additional workload for finance staff during the year.

### Finance staff faced additional workload over the last 12 months

**55.** Over the last year there have been a number of changes in key finance staff at the council due to a combination of promotions and departures, including the retirement of some senior staff. Finance staff have also faced an additional workload due to the administrative burden presented by the Covid-19 support schemes (paragraphs [51.](#) -[54.](#)) and the increased monitoring and reporting activity linked to this, sickness absence, and the continuing impact of remote working. This increased workload is likely to continue in 2021/22, and beyond, as the longer-term impact of Covid-19 becomes clear.

### Reduced service activity and additional Covid-19 funding resulted in the council reporting a £36 million underspend against its 2020/21 revenue budget

**56.** The council reported a significant underspend of £36.4 million against its 2020/21 revenue budget. This was largely attributable to reduced service activity in the early part of the year due to the restrictions on non-essential services, and the application of the additional Covid-19 funding and support provided by the Scottish Government. The most significant underspends on general fund service areas are detailed in [Exhibit 5](#).

## Exhibit 5

### Summary of most significant underspends against budget

Service area	£m	Main reasons for underspend *
<b>Children and Families Services</b>	12.4	Reduced property costs, supplies and services savings in school meals, and lower than budgeted transfer and third party payments relating to Childrens Services. These underspends were all linked to reduced service activity during the year due to Covid-19 restrictions.
<b>City Development</b>	5.7	One-off Non-Domestic Rates refund as a result of successful NDR appeal on the revaluation for various properties and lower utility charges such as energy, water and cleaning costs.
<b>Corporate Services</b>	3.9	Underspends in supplies and services costs and third party payments to other organisations.
<b>Chief Executive Services</b>	3.7	Underspends in supplies and services costs and Dundee Partnership grants.

*\* In addition to the reasons detailed above, an underspend on staff costs of £4.8 million across all services was reported for 2020/21 due to reduced activity, and £9.8 million of the Covid-19 funding received during the year was not spent by services but will be required for 2021/22.*

Source: Dundee City Council 2020/21 Annual Accounts

## **The council incurred additional costs during the year providing emergency support to individuals, businesses and suppliers, linked to the impact of Covid-19**

**57.** The in-year underspends due to Covid-19 detailed in [Exhibit 5](#) were partly offset by additional costs. These included the provision of emergency support to individuals, businesses and suppliers during 2020/21.

**58.** In August 2020, the Policy and Resources Committee discussed a paper on the Financial Implications of the Council's Response to the Covid-19 Emergency. The paper covered the council's approach to providing financial support for individuals, businesses and key suppliers. It also described the specific support being provided to Tayside Contracts and Leisure and Culture Dundee (LACD) which are reflected in the council's group accounts.

**59.** Tayside Contracts provides catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance services for Dundee, Angus and Perth & Kinross Councils. Covid-19 had major implications on the operation of the organisation during 2020/21, and particularly the income generating activity of the Construction and Facilities Services divisions during the early part of the year. To aid cashflow during this period, each of the constituent councils committed to fund the payment of fixed costs based on the 2020/21 revenue budget. This equated to around £4.5 million a month between March and June 2020 but an element of these costs was recovered from other sources (for example, around £1.5 million was provided through the Coronavirus Job Retention Scheme towards the staff costs of workers furloughed between 1 March and 10 June 2020) and returned to the constituent councils later in the year. It is not anticipated that any such support will require to be provided during 2021/22.

**60.** As discussed at paragraphs [31.](#) -[33.](#), Leisure and Culture Dundee has been significantly affected by the Covid-19 emergency, with all leisure and cultural facilities across the city closed for a large part of 2020/21. Over this period, the council continued to pay the monthly management fee to LACD to help support its fixed costs. In addition, council officers also assisted LACD to access government assistance and support available.

## **An underspend of £1.3 million was reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity, but this work will need to be completed in future years**

**61.** The council reported a £1.3 million underspend against the annual HRA budget for 2020/21. This was attributable to lower than anticipated expenditure on property costs, mainly non-emergency repairs and cyclical maintenance works, due to the suspension of non-essential services between March and June 2020, and reduced activity across the rest of the year. These savings were partially offset by income lost from additional voids on council houses.

**62.** While the council achieved savings against the 2020/21 HRA revenue budget, it should be noted that the reduction in repairs and maintenance activity



during the year will have a knock-on effect on the level of such activity required in future years. Therefore, this underspend represents a rephasing of these works rather than savings that can be released to fund other activity. It is also expected that the level of income lost due to void properties is likely to remain higher than normal in 2021/22 which may place pressure on the annual revenue budget.

**63.** Another factor that may place additional pressure on the HRA budget going forward is the level of rent arrears which increased by £1.2 million during the year, from £3.2 million at 31 March 2020 to £4.4 million at 31 March 2021. However, the council provided for £4.3 million of irrecoverable rents at 31 March 2021 based on its assessment of the collectability of this debt. This represents a £0.8 million increase on the amount provided for in the prior year and minimises the financial exposure of the council of these debts not being recovered.

### **The Covid-19 pandemic impacted upon the delivery of the 2020/21 Capital Plan with only 44 per cent of the plan being delivered, and a number of projects being deferred or delayed**

**64.** As detailed at paragraph [48.](#), the council approved a capital programme of £107 million (£75 million general fund projects and £32 million HRA projects) for 2020/21. As this budget was approved in February 2020, prior to the Covid-19 outbreak, it did not factor in the impact that the lockdown restrictions would have on capital works during the year.

**65.** The final outturn reported for the year showed that capital works costing £47 million were completed during 2020/21. This represents slippage against the original plan of 56 per cent but clearly this is largely attributable to the impact of Covid-19 in the early part of the year.

**66.** Due to the impact of Covid-19 planned spend on various capital projects was deferred, including: the School Estate Investment, the Low Carbon Initiative – Hydrogen, and the planned Sustainability Projects. However, the council did make good progress on some other capital projects during the year, including spend on Coastal Protection Works, the Property Development and Improvement Programme, and the project to Upgrade the West Wing of City Square. The regular capital monitoring reports to the Policy and Resources Committee during the year ensured members were kept up-to-date with developments, including any deferrals or delays in planned projects.

**67.** We will continue to monitor the delivery of the capital programme as part of our 2021/22 audit.

### **The council's external debt levels reduced by £40.8 million over the last 12 months, mainly due to lower than anticipated new borrowing as a result of the reduced capital project activity**

**68.** During 2020/21 the council's external debt levels reduced by £40.8 million, from £723.6 million at 31 March 2020 to £682.8 million at 31 March 2021. This reduction was due to the required loan repayments made during the year and lower than anticipated new borrowing, mainly as a result of the reduced capital project activity (paragraphs [64.](#) -[67.](#) ).

**69.** This reduction in external debt over the last 12 months resulted in the council's ratios of financing costs to net revenue also reducing, from 5.7 per cent to 4.9 per cent for general fund services, and from 36.6 per cent to 35.1 per cent for the HRA. We consider the council's debt levels to be affordable and sustainable.

### **Financial systems of internal control operated effectively during the year**

**70.** As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**71.** We concluded that internal controls are operating as specified and that there were no issues which would impact on our audit approach. A small number of areas have been identified however, where a control could be strengthened. Management has agreed actions to strengthen these areas.

## 3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to deliver its services into the future

### Main judgements

The council's usable reserves increased by £28.4 million over the last 12 months, but these funds will be required to meet the ongoing financial pressures created by the pandemic.

The Council approved a general fund revenue budget for 2021/22 of £373 million based on freezing council tax and the delivery of in-year savings of £1.4 million. The Council also approved a 1.5 per cent increase in rent levels for 2021/22 to fund the annual HRA budget of £55.8 million.

The 2021-2026 Capital Plan sets out a £386 million programme of expenditure which includes improvements to the school estate and investment in new and existing housing stock.

Future financial plans are challenging with a cumulative funding gap of £25.5 million projected for the period 2021-2024. The long-term financial strategy will need to be revised to reflect the longer-term financial impact of the Covid-19 pandemic.

### **The council's usable reserves increased by £28.4 million over the last 12 months, but these funds will be required in future years to meet the ongoing financial pressures created by the pandemic**

**72.** As shown in [Exhibit 6](#), the level of usable reserves held by Dundee City Council increased by £28.4 million during 2020/21, from £41.5 million at 31 March 2020 to £69.9 million at 31 March 2021. The large increase in the General Fund balance over the last 12 months was due to reduced activity and additional Covid-19 funding received but not spent during the year (paragraph [56.](#)), and the increase in the Repair and Renewal Fund balance reflects the underspend reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity (paragraphs [61.](#) - [63.](#)).

**73.** The council's agreed long term financial strategy states that the minimum uncommitted element of the General Fund balance will be maintained at the lower of £7 million or two per cent of budgeted revenue expenditure but, ideally, a higher level will be held for operational purposes. The uncommitted general

fund balance of £8.1 million at 31 March 2021, [Exhibit 6](#), is in line with the reserves strategy.

### Exhibit 6 Dundee City Council usable reserves

Reserve	31 March 2019 (£m)	31 March 2020 (£m)	31 March 2021 (£m)
General fund – uncommitted	7.5	8.0	8.1
General fund – committed	6.3	8.5	42.5
Repairs and renewal fund	6.6	9.3	11.5
Capital grants and receipts unapplied account	3.1	11.8	5.0
Capital fund	0.6	0.6	0.6
Insurance fund	2.6	3.3	2.2
<b>Total usable reserves</b>	<b>26.7</b>	<b>41.5</b>	<b>69.9</b>

Source: Dundee City Council Annual Accounts

**74.** Under normal circumstances, the level of usable reserves held is one of the key measures of the financial health of a body. However, the financial impact of the pandemic on Dundee City Council is likely to extend across several years. This will include additional costs to deliver services and reduced income from business rates and council tax non-payments, as well as a reduction in fees and charges from, for example, parking and events licenses. Therefore, the additional funds held in usable reserves will be required in future years to address the ongoing financial pressures created by the pandemic. The council has earmarked £19 million of the General Fund balance at 31 March 2021 for Covid-19 related costs pressures, and a further £3 million for Covid-19 recovery measures, over the period 2021-2024.

### The Council approved a general fund revenue budget for 2021/22 of £373 million based on freezing council tax and the delivery of in-year savings of £1.4 million

**75.** The financial impact of Covid-19 on services, local businesses and residents was a key consideration in the development of the 2021/22 budgets. The budget discussions were informed by a consultation exercise undertaken during December 2020 and January 2021 that sought the public's views on the council's response to the pandemic, current and future services, and the level of council tax for the coming year.

**76.** In March 2021 the council approved a general fund revenue budget for 2021/22 of £373 million. The budget was based on freezing council tax at the

same levels as the prior year and the delivery of in-year savings of £1.4 million (over and above base budget savings for the year of £4.2 million).

**77.** The approved budget did not include the use of reserves or use of any of the new financial flexibilities available to mitigate, or defer, the financial impact of Covid-19. These flexibilities have been the subject of ongoing discussions between COSLA and the Scottish Government over the last year and permit:

- capital receipts being used to finance Covid-19 revenue expenditure
- flexibility to amend the accounting treatment of debt included in service concession contracts (for example, public private partnership) contracts, thereby reducing charges to services, and
- a Loans Fund repayment holiday to defer loans fund repayments due to be repaid in 2021/22.

**78.** While the use of reserves, and the new financial flexibilities, has not been included in the approved 2021/22 general fund budget, this will be kept under review by the council during the course of the year based on the projected financial outturn.

### **Future financial plans are challenging with a cumulative funding gap of £25.5 million projected for the period 2021-2024**

**79.** The budget paper to the March 2021 meeting of the Policy and Resources Committee also included a provisional revenue budget for 2022/23 and 2023/24. This identified savings requirements of £8.7 million for 2022/23 and 15.4 million for 2023/24, giving a cumulative funding gap over the three-year period 2021-2024 of £25.5 million.

### **The council are evaluating a collective equal pay claim received in February 2021**

**80.** In February 2021, the trade unions submitted a collective equal pay claim on behalf of their members under the Equality Act 2010. The Claimants claim is for the full 5 year back-pay period and/or from their date of employment, if such a date is less than 5 years ago. The Claimants are employed in predominantly female jobs groups (and/or groups of which the proportion of female workers is far greater than that in the comparator groups). The claim is currently being evaluated by the Council. At this stage, it is not possible to quantify the Council's financial liability, if any.

**81.** While it is not possible to establish at this stage whether any cash outflow will result from the equal pay claim, this presents a potential financial sustainability risk to the council for future years.

### **The Council approved a 1.5 per cent increase in rent levels for 2021/22 to fund the annual HRA budget of £55.8 million**

**82.** In January 2021 the council approved a 1.5 per cent increase in the average weekly rent levels for tenants for 2021/22. The rent level set reflected

the income required to fund the annual HRA budget of £55.8 million partially offset by the use of £0.8 million of the repairs and renewal fund during the year.

**83.** Although rent levels have been raised for 2021/22, the average weekly rent levels across the council's housing stock remain lower than the Scottish average. We also noted that the council anticipates a slight reduction in rental income for the year due to lower occupancy and collection rates than in 2020/21, linked to the ongoing impact of the Covid-19 pandemic.

### **The 2021-2026 Capital Plan sets out a £386 million programme of expenditure which includes improvements to the school estate and investment in new and existing housing stock**

**84.** The 2021-2026 Capital Plan was approved in February 2021. The plan detailed a £386 million programme of work, split between £261 million of general fund projects and £125 million of housing revenue account projects, with expenditure of £117 million (£80 million general fund projects and £37 million HRA projects) scheduled for 2021/22.

**85.** The general fund capital programme for the next 5 years includes a £59 million investment in further improvements to the school estate, with the majority of this activity scheduled to be completed during 2023/24 and 2024/25. £22 million has also been allocated for further projects at Dundee Waterfront. There is also planned investment in additional nursery accommodation to meet the expansion in early years provision, community facilities, and improvements to parks and green spaces.

**86.** The HRA capital programme for the next 5 years includes £26 million for the provision of additional affordable housing and almost £100 million for a range of improvements to existing housing stock including £43 million for energy efficient works as part of the council's response to the climate change emergency.

### **Management is taking action to address the BVAR recommendations aimed at maximising the benefits from existing assets, and improving the selection and appraisal of capital projects**

**87.** The [Best Value Assurance Report \(September 2020\)](#) included recommendations to maximise the benefits from existing assets and improve the selection and appraisal of capital projects:

- A strategic asset management plan, is to be developed, aligned to the financial and strategic service delivery plans.
- A standardised business case template should be developed and completed for all capital projects including detailed options appraisal, whole life costing, and consideration of funding implications.

**88.** In response to the first recommendation, management reviewed the priorities of the council coming out of Covid-19 and agreed that services will be required to ensure that asset management plans and registers will be developed for each relevant asset class. This includes corporate property, IT,



roads, structures, HRA and fleet, and that these should be updated, as a minimum, on a three-year refresh cycle. Alongside this, management is also exploring the potential benefits and costs of producing a centralised Corporate Asset Management Plan, and seeking to study similar documents produced by other councils. This is expected to be completed by December 2021 and a report on it is due to go to the Policy and Resources Committee in November.

**89.** In response to the second recommendation, management reviewed the processes in place to ensure that all necessary options and projections are considered, and the reasons for decisions are well documented, when making decisions in relation to significant capital projects. This resulted in the development of new Business Case and Option Appraisal Guidance, approved by the Capital Governance Group in December 2020. To supplement this, and ensure a consistent approach across all services, a Business Case Template was prepared and approved by the Corporate Governance Group in May 2021. This will be completed for all significant capital projects going forward.

**90.** We will monitor the impact of the actions taken to improve the use of existing assets, and the selection and appraisal of capital projects, as part of our 2021/22 audit.

### **The long-term financial strategy will need to be revised to reflect the longer-term financial impact of the Covid-19 pandemic**

**91.** In August 2019, the Policy and Resources Committee approved a report on the long-term financial outlook and financial strategy 2020-2030. The report noted the projected revenue requirements for the period to 2030 and the savings and efficiencies required over that period to bridge the identified funding gaps.

**92.** The long-term financial strategy was considered by the Policy and Resources Committee in January 2021 but it was determined that there was too much uncertainty around the longer-term financial impact of the Covid-19 pandemic, including future funding levels and the use of the available financial flexibilities, to predict with any confidence the long-term financial position of the council. Management has committed to revisit and update the long-term financial strategy once more clarity emerges.

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## **Recommendation 4**

Management should review the long-term financial strategy to reflect the impact of Covid-19 on the council's finances going forward, including scenario planning of key financial assumptions.

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### **Delivery of the C2022 transformation programme remains critical to bridging the medium and long-term funding gaps and improving the council's services**

**93.** The [Best Value Assurance Report \(September 2020\)](#) reported that delivery of the C2022 transformation programme will be critical to bridging the medium

and long-term funding gaps and improving the council's services. This remains the case as the council emerges from the recovery stage of the Covid-19 pandemic.

**94.** During 2020/21 Internal Audit conducted a follow-up of its review of the Transformational Change programme conducted in 2019/20. The original review concluded that there were weaknesses in the system which should be addressed and highlighted areas for improvement to be taken forward by the Project Management Office (PMO) relating to:

- the management and reporting of progress against C2022 projects to councillors
- defining the scope of each project and the measurable objectives that it will deliver
- the use of the Pentana performance management system to track the delivery of projects, including the achievement of key milestones.

**95.** The follow-up review concluded that whilst some actions had been taken to strengthen the weaknesses highlighted in the original review, there are still some recommendations that require to be implemented by management to increase the frequency of reporting to committee, improve the management of C2022 projects, and to develop a specific risk register for the C2022 Transformation Programme.

**96.** Internal audit acknowledged that part of the reason for the delay in implementing the outstanding recommendations was due to the involvement of PMO staff in supporting the programme of work arising from the Covid-19 pandemic. However, management has committed to addressing the outstanding recommendations as a matter of priority. Workshops have been held with senior managers to review current projects and develop the next phase of transformation. The outstanding audit actions will be incorporated into improvements being agreed also.

### **Management has identified actions to improve workforce planning arrangements but these have been delayed due to the impact of Covid-19**

**97.** The [Best Value Assurance Report \(September 2020\)](#) included comments on the council's workforce planning arrangements. The council recognised that the 'Our People and Workforce Strategy 2019-22' needed to be supplemented with detailed workforce plans for each service to demonstrate that the council has the skills and capacity required to deliver its priorities. We also noted that 51 staff left the council under exit packages during 2020/21.

**98.** As part of the Council's response to the BVAR it approved plans to assess the current workforce skills against future needs to determine any skills gap and succession planning to meet its priorities. It also committed to further develop workforce planning (at corporate and service level) to detail the overall implications for the next three years. This would align



with service plans, the medium-term financial outlook, transformation programme and budget setting processes.

**99.** Progress against these actions has been impacted by the Covid-19 pandemic. However, service plans, which include workforce planning for that service, were agreed for all services in June 2021 and the first performance reports against these (covering quarters 1 and 2 of 2021/22) will be reported to committee in November and December 2021. A target date of April 2022 has been set for the completion of the assessment of the workforce to deliver the Council's priorities.

**100.** We will continue to monitor against these actions as part of our 2021/22 audit.

### **Covid-19 will continue to place additional pressure on health and social care services and presents a further risk to the financial sustainability of these services**

**101.** The Dundee Integration Joint Board (IJB) was established in October 2015. The IJB became fully operational on 1 April 2016 when it began its strategic oversight of the delivery of health and social care services for the residents of Dundee on behalf of Dundee City Council and NHS Tayside.

**102.** The IJB approved its 2019-22 Strategic Commissioning Plan in March 2019, focused on moving care from hospital to community-based care. The auditor of the IJB has reported for a number of years that services may not be sustainable beyond the short term, with projected funding shortfalls in 2021/22 and beyond.

**103.** The Commission Findings in the [Best Value Assurance Report \(September 2020\)](#) also highlighted that the financial sustainability of the IJB remains a risk and this will be exacerbated by the pressures emerging from the Covid-19 pandemic. It is important that the council works with its partners to ensure the financial sustainability of the IJB. This is acknowledged by the council and the financial sustainability of the IJB has been identified as a distinct risk in the Corporate Risk Register.

## 4. Governance and transparency

Governance and transparency relate to the effectiveness of scrutiny and oversight, and transparent reporting of information

### Main Judgements

Since March 2020, the council has revised its governance arrangements to reflect how it has responded to the Covid-19 pandemic.

The governance arrangements are described in the Annual Governance Statement. We have concluded that the revised arrangements are appropriate and continue to support good governance and transparency.

The council conducts its business in an open and transparent manner and provided clear information for residents on services affected by the Covid-19 pandemic.

The management commentary in the 2020/21 annual accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year, including the impact of Covid-19 and the funding and support received.

**The council has revised its governance arrangements to reflect how it has responded to the Covid-19 pandemic. We have concluded that the revised arrangements are appropriate and continue to support good governance and transparency.**

**104.** Councillors and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

**105.** We have reviewed and monitored the operation of the governance arrangements during the course of the audit appointment, including as part of the BVAR fieldwork, and concluded that they are effective and support good governance and transparency.

**106.** The Covid-19 pandemic impacted on a number of aspects of the governance arrangements during the year, as set out in the Annual Governance Statement in the 2020/21 annual accounts. These included the suspension of all Council and committee meetings in March 2020 with delegated powers, observing the council's scheme of delegation, approved that enabled the Chief Executive to make decisions in consultation with the convener of the

appropriate committee and the relevant spokesperson for each of the political groups.

**107.** These arrangements remained in place until June 2020 when Council and committee meetings recommenced and began to be held virtually using Microsoft Teams. These meetings continue to be held remotely but this situation will be reviewed as the ongoing restrictions on travel and work placed activity ease.

**108.** We have concluded that the interim arrangements put in place were appropriate and continue to support good governance and transparency.

### **The management commentary in the 2020/21 annual accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year, including the impact of Covid-19 and the funding and support received**

**109.** In addition to the consistency opinion on the management commentary covered in Part 1 of this report, we also consider the qualitative aspects of the management commentary included in the annual accounts. The purpose of the management commentary is to provide information on the council, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and reasonable analysis of a council's performance and is essential in helping stakeholders understand the financial statements.

**110.** As part of our review of the management commentary in the 2020/21 annual accounts we also considered the adequacy of the narrative and disclosures included in relation to the Covid-19 funding and support received during the year (paragraphs [51.](#) -[54.](#) ).

**111.** The council had included additional disclosures within the management commentary and at *Note 17. Agency Services* and *Note 51. Coronavirus / Covid 19 - Service Costs and Income in the 2020/21 Annual Accounts* in respect of the Covid-19 support scheme funding received during the year. We reviewed these disclosures as part of our financial statements audit and concluded that they provide a clear picture of the financial impact of Covid-19, and the additional funding received, during the year.

**112.** We concluded that the management commentary in the 2020/21 annual accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year.

### **The council conducts its business in an open and transparent manner and provided clear information for residents on services affected by the Covid-19 pandemic**

**113.** Transparency means that the public have access to understandable, relevant and timely information about how the council is taking decisions and how it is using resources such as money, people and assets.

**114.** There is evidence from several sources which demonstrate the council's commitment to openness and transparency:

- Members of the public can attend the virtual meetings of the full council and other committees. Recordings of these meetings, and the minutes and supporting papers, are also available on the council's website.
- The council's website allows the public access to a wide range of information including the register of councillors' interests, current consultations and surveys and service performance data. In addition, the home page provides updates on recent developments and links to useful information, including the latest information on schools and any services affected by the Covid-19 pandemic.
- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance for the year (paragraphs [109.](#) -[112.](#)).

**115.** Overall, we concluded that the council continues to conduct its business in an open and transparent manner.

### **Internal audit complies with the main requirements of the Public Sector Internal Audit Standards and has sound documentation standards and reporting practices in place**

**116.** The internal audit function at Dundee City Council is managed by the Senior Manager – Internal Audit (i.e. Chief Internal Auditor) and provided by an in-house internal audit team, supplemented by staff from KPMG as part of a co-sourcing arrangement.

**117.** Each year we consider whether we can rely on internal audit work to avoid duplication of work, and as part of our planning process we reviewed the council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors).

**118.** Our annual assessment of the internal audit function reviews the documentation and reporting standards in place, and compliance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). This confirmed that the section had sound arrangements in place and complied with the PSIAS requirements.

**119.** Our review of the internal audit reports issued during our audit appointment has established that they include clear and focussed recommendations for improvement that are accepted by management. However, our review of the follow-up reviews undertaken by internal audit during 2020/21 identified a number of areas where progress has been slow in implementing the agreed recommendations from the original report. While this has in part been due to the impact of Covid-19 since March 2020, the council now needs to ensure that outstanding actions are progressed as a matter of priority.

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## Recommendation 5

Management should ensure that the outstanding actions identified through internal audit's follow-up reviews of previous internal audit reports are completed as a matter of priority.

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### **Internal Audit concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2021**

**120.** In our 2020/21 annual audit plan we highlighted that we did not plan to place formal reliance on the work of internal audit for our financial statements work. However, we do consider the internal audit reports issued during the year as part of our review of the annual governance statement and our wider dimension audit responsibilities.

**121.** The Internal Audit Annual Report was considered by the Scrutiny Committee in June 2021 and provided the opinion of the Senior Manager – Internal Audit that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2021. This opinion was reflected in the Annual Governance Statement in the 2020/21 Annual Accounts.

### **Internal Audit's review of the controls over materials purchasing in Construction Services identified significant weaknesses. Management has taken action to address these findings.**

**122.** During 2020/2021, an Internal Audit review of the controls over materials purchasing in Construction Services identified significant weaknesses, including:

- The arrangements in place to ensure the procurement of materials complied with the council's tender procedures, financial regulations and corporate procurement processes.
- The adherence to expected procurement processes for the purchase of materials for the Construction Services store using Scotland Excel frameworks.
- Weaknesses in the processes for requisition, ordering and receipt of materials, including authorisation arrangements, segregation of duties and the number of officers with the authority to raise a requisition and order.
- The high volume of orders requested via emergency procedures as materials are required immediately, indicating that it is more common practice than would be expected.

**123.** The findings from the review were reported to the Scrutiny Committee in April 2021. Management accepted all the recommendations and approved actions to address the findings. Due to the extent of the weaknesses identified through this review, they were disclosed in the Annual Governance Statement in the 2020/21 Annual Accounts.

### **The council is due to appoint a new permanent Senior Manager – Internal Audit in June 2022**

**124.** Over the course of our audit appointment we have noted that the council's internal audit function has worked well with services to strengthen the internal control environment and develop robust controls and checks for new areas of activity, including the controls related to the Covid-19 funding and support schemes.

**125.** The Senior Manager – Internal Audit is due to leave the council in November 2021. Interim arrangements have been put in place for the current Principal Internal Auditor to formally act-up until the end of June 2022, ahead of the post being filled on a permanent basis. This decision ensures the continuity of the internal audit service in delivering the 2021/22 audit plan along with its private sector partner, KPMG.

### **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**126.** The council is responsible for having arrangements in place to prevent and detect fraud, error and irregularities. Furthermore, it is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

**127.** The risk profile of public bodies during 2020/21 has been affected by the Covid-19 pandemic. The risk of fraud and error has increased as control environments and internal controls have had to change to allow for services to operate effectively and respond to issues in a timely manner.

**128.** We reviewed the arrangements put in place by Dundee City Council to address any heightened risks and concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities. This included the development of a Covid-19 Recovery Risk Register which has been reported to the Policy and Resources Committee since August 2020 to update councillors on the key risks and the actions being taken to address these.

**129.** In addition, we have reviewed the general arrangements in place to prevent and detect fraud, error and irregularities and maintain standards of conduct.

**130.** The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy, anti-bribery policy and codes of conduct for councillors and officers; and the council's Corporate Fraud Team provide reports on its activity to the

Scrutiny Committee. The council also has an Integrity Group which was set up to improve the council's resilience to crime, fraud and corruption.

**131.** We assessed these arrangements to ensure that they were appropriate and that documents are readily available to staff and regularly reviewed to ensure they remain relevant and current. We concluded that overall the council's arrangements are appropriate.

### **Investigations relating to contract award issues are ongoing**

**132.** As previously reported, internal investigations by the council's Human Resources Service and Corporate Fraud Team surrounding a previous contract award concluded in 2019/20. The Council continues to liaise with Police Scotland surrounding its investigation, and a formal report will be taken to the relevant committee as soon as it's possible to do so.

**133.** We will review the outcome of the investigation, and any resulting action, once it is concluded.

### **Arrangements are in place for investigating and reporting data matches identified by the National Fraud Initiative**

**134.** The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Audit Scotland coordinate NFI in Scotland. Computerised techniques are used to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

**135.** The current NFI exercise runs over 2020/21 and 2021/22 and participating bodies began to receive matches for investigation in January 2021. These matches are categorised by risk and all recommended matches, plus any further matches based on findings, should be investigated.

**136.** The council has participated in the initiative for a number of years and has processes in place for investigating the data matches identified by the NFI and reporting the results to the Scrutiny Committee.



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## 5. Best Value

Best Value is about using resources effectively and continually improving services

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### Main judgements

Despite the impact Covid-19 has had on the council, good progress has been made in implementing many of the actions to deliver the recommendations for improvement from the Best Value Assurance Report.

The council has adapted well to delivering services in the Covid-19 environment. Service performance has been impacted in some areas but performance against 54 per cent of the Council Plan indicators was maintained at the 2019/20 levels.

The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality, including closing the attainment gap, has been exacerbated by the impact of the pandemic.

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**The council's Best Value Assurance Report was published in September 2020 and reported that the council had demonstrated a steady pace of improvement since the previous Best Value audit in 2011**

**137.** Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period.

**138.** The [Best Value Assurance Report \(September 2020\)](#) for Dundee City Council was published on 29 September 2021 and reported that the council had demonstrated a steady pace of improvement since the previous Best Value audit in 2011. It also highlighted that the council recognises that the pace of improvement needs to increase in some areas to address the city's significant demographic, economic and social challenges. The report included eight recommendations, [Exhibit 7](#), which were endorsed by the Accounts Commission.



**Exhibit 7****Council response and progress to date for recommendations in BVAR**

Recommendation	Council response and progress to date
<b>1. Consideration should be given to extending the support provided, to non-elected committee members.</b>	<p><b>In progress</b></p> <p>Actions were approved to engage with elected and non-elected committee members on their personal development needs during 2021, to enable management to deliver support and/or development opportunities to meet the personal development needs identified during the course of 2022.</p> <p>The review of members personal development needs was delayed due to the involvement of Learning and Organisational Development Service staff in the council's Covid-19 response. However, it is expected to be completed by the end of December 2021 to enable the required training and development sessions to be rolled out during 2022 as planned.</p>
<b>2. Regular performance reports need to be presented to councillors which include performance data for the current year, covering all services.</b>	<p><b>In progress</b></p> <p>As detailed at paragraphs <u>142. -145.</u>, a revised Performance Management Framework (PMF) 2021-24 was approved in March 2021 and will be fully deployed from 2022/23. New 3-year service plans were also approved in June 2021 and the first performance reports against these (covering quarters 1 and 2 of 2021/22) will be reported to committee in November and December 2021.</p>
<b>3. Workforce plans need to be developed for all services to demonstrate that staff have the capacity and skills to deliver the council's priorities.</b>	<p><b>In progress</b></p> <p>As detailed at paragraphs <u>97. -100.</u>, the Council approved actions to assess the current workforce skills against future needs to determine any skills gap and succession planning to meet its priorities, and other actions to improve the current workforce planning arrangements. However, progress has been impacted by the Covid-19 pandemic and a revised target date of April 2022 has been set for the completion of all of the approved actions.</p>
<b>4. A strategic asset management plan, is to be developed, aligned to the financial and strategic service delivery plans.</b>	<p><b>In progress</b></p> <p>As discussed at paragraph <u>88.</u>, the Council approved that asset management plans should be developed for each relevant class of asset. Alongside this, management is also exploring the potential benefits and costs of producing a centralised Corporate Asset Management Plan, and seeking to study similar documents produced by other councils. This is expected to be completed by December 2021 and a report on it is due to go to the Policy and Resources Committee in November.</p>

Recommendation	Council response and progress to date
<b>5. A standardised business case template should be developed and completed for all capital projects including detailed options appraisal, whole life costing, and consideration of funding implications.</b>	<b>Complete</b> As detailed at paragraph 89., the council has developed new Business Case and Option Appraisal Guidance. To supplement this, and ensure a consistent approach across all services, a Business Case Template was prepared and approved by the Corporate Governance Group in May 2021. This will be completed for all significant capital projects going forward.
<b>6. The Dundee Partnership needs to set out how it will measure the impact of its action plan to reduce inequality and poverty.</b>	<b>In progress</b> The Dundee Partnership is taking forward actions to improve performance monitoring and reporting to demonstrate the impact in relation to key priorities. This will include the delivery of the Fairness and Child Poverty Action Plan. The new arrangements are expected to be in place by the end of 2021.
<b>7. Communication to citizens on the rationale for policy decisions should be reviewed.</b>	<b>In progress</b> The Council approved the production and implementation of a new framework for engagement and consultation with citizens and communities. It also agreed that it would consolidate the learning from Dundee Decides by embedding participatory budgeting into mainstream budgets. These actions are expected to be completed by the end of 2021.
<b>8. Prioritisation of improvement plans should be considered to focus on actions that will deliver the greatest impact for service users.</b>	<b>In progress</b> The new Performance Management Framework should ensure that improvement plans focus on actions that will deliver the greatest impact for service users. Regular reporting will also enable the management team to monitor performance closely and take action to increase the pace of change in priority areas.

Source: Dundee City Council BVAR Action Plan – Progress Report to Policy and Resources Committee (April 2021)

## Despite the impact Covid-19 has had on the council, good progress has been made in implementing many of the actions to deliver the recommendations for improvement from the Best Value Assurance Report

**139.** At its meeting on 16 November 2020, the Council approved a Best Value Assurance Report Improvement Plan which set out 21 actions to address the recommendations in the BVAR. For each of these actions the plan detailed the lead officer responsible for delivering the action, the proposed timescale for it to be completed, and the success criteria that the impact of the action would be measured against. The plan also included a further 10 actions to address other

areas highlighted in the Accounts Commissions findings, or linked to areas covered by the scope of the BVAR, namely:

- The council must work with partners to ensure it addresses the City's complex and deep-rooted challenges including drugs related deaths, pressures around poverty, significant issues within mental health services, and the financial sustainability of the IJB.
- Continue to improve monitoring of segmented absence data in order to discover the root causes of employee absence.
- Address recurring areas for improvement in public protection in external scrutiny reports and internal self-evaluation activities.

**140.** An update on progress against the plan was reported to the Scrutiny Committee in April 2021, [Exhibit 7](#). This advised that 3 of the 31 actions had already been completed but 4 other actions were behind schedule, due to the impact of the Covid-19 pandemic on service priorities, and the original completion dates had been reviewed and revised.

**141.** The second progress report on the BVAR Action Plan will be presented to the Policy and Resources Committee in November 2021. We will continue to monitor progress against the Best Value Assurance Report Improvement Plan, and the impact of the actions taken, as part of our 2021/22 audit.

### **Management is taking action to address the BVAR recommendations to improve the council's performance monitoring and reporting arrangements**

**142.** The [Best Value Assurance Report \(September 2020\)](#) reported that the council has been slow to develop a consistent approach to monitoring and reporting performance across the council and highlighted that regular performance reports for councillors, which include current performance data on all services, were still being developed. It recommended that regular performance reports be presented to councillors which include performance data for the current year, covering all services.

**143.** During 2020/21 a revised Performance Management Framework (PMF) 2021-24 setting out the requirements for performance reporting to committees was developed. This supports the requirement to regularly report performance data for the current year covering all services. The new PMF was approved by the Policy and Resources Committee meeting in March 2021 but it is intended that it will be fully deployed from 2022/23 as the roll-out of the new PMF will require to be supported by awareness sessions for relevant officers, elected and non-elected members on the implementation of the framework.

**144.** New 3-year service plans were approved in June 2021 and the first performance reports against these (covering quarters 1 and 2 of 2021/22) will be reported to committee in November and December 2021.

**145.** We will monitor the impact of the actions taken to improve the council's performance monitoring and reporting arrangements as part of our 2021/22 audit.

**The council has adapted well to delivering services in the Covid-19 environment. Service performance has been impacted in some areas but performance against 54 per cent of the Council Plan indicators was maintained at the 2019/20 levels.**

**146.** The council published its fourth progress report on the Council Plan 2017-2022 in August 2021. The report set out the council's performance information in the form of service scorecards.

**147.** As expected, Covid-19 had a significant impact on the performance of all services during 2020/21, with performance against all Leisure and Culture indicators deteriorating during the year. Despite this, the progress report, [Exhibit 8](#), showed that performance was on target or within 5 per cent of target for 51 (54 per cent) of the 94 indicators. Furthermore, performance against 51 (54 per cent) of the indicators was also improved or maintained against the prior year levels.

## Exhibit 8

### Performance against the Council Plan indicators in 2020/21

Services	On target	Within 5% of target	Not on target	Total	Improved or maintained indicators
Children and Families	5	4	10	19	11 (58%)
City Development	10	2	3	15	10 (67%)
Dundee Health and Social Care	5	1	8	14	6 (43%)
Neighbourhood Services	7	6	7	20	14 (70%)
Leisure and Culture	0	0	4	4	0 (0%)
Corporate Services	6	0	6	12	7 (58%)
Chief Executive's Department	4	1	6	11	3 (27%)
<b>All Services</b>	<b>37</b>	<b>14</b>	<b>44</b>	<b>95</b>	<b>51 (54%)</b>

Source: City and Council Plan Progress Report (August 2021)

## Good practice – Remote learning

Education Scotland's [National overview of practice in remote learning](#) (published in January 2021) highlighted the council's approach to supporting schools with digital aspects of remote learning: "The Dundee Digital Learning Team (funded by the Scottish Attainment Challenge) has played a critical role in supporting schools and placing learning resources on GLOW. It has also set up a useful Dundee Digital Learning Hub. This is a public facing portal for parents which includes advice on the available learning platforms. The team is able to respond to individual schools and support council wide developments."

## The council aims to be in the top half of its family group of peers for 55 per cent of LGBF indicators, in 2019/20 44 per cent were in the top half

**148.** The Council Plan 2017-2022 sets a target for the council's performance to be in the top half of its family group for 55 per cent of the LGBF indicators. It also sets a long-term aspiration to be in the top half for all indicators. The LGBF Performance Indicators report on the 2019/20 data was reported to the Scrutiny Committee in June 2021. This showed that the council's performance was in the top half of its family group for 42 (44 per cent) of the 96 LGBF indicators, [Exhibit 9](#). This represents a deterioration on overall performance from 2018/19 when 47 per cent were in the top half. However, Children and Families services performance improved from 29 per cent of indicators in the top half in 2018/19 to 35 per cent of indicators in the top half in 2019/20.

### Exhibit 9

#### Service performance against family group for LGBF indicators in 2019/20

Strategic Service Area	Number of LGBF indicators	Performance in top half of family group	
		Number	(%)
Culture and Leisure (includes health and wellbeing indicators)	6	3	50
City Development (includes fair work and enterprise indicators)	18	10	55
Neighbourhood Services (includes community safety indicators)	16	9	56
Health and Social Care Partnership	11	3	27
Corporate Services (includes finance indicators)	14	6	43
Children & Families (includes education and social work indicators)	31	11	35
<b>All LGBF indicators</b>	<b>96</b>	<b>42</b>	<b>44</b>

Source: LGBF Performance Indicators 2019/20 report to Scrutiny Committee (June 2021)

## **The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality, including closing the attainment gap, has been exacerbated by the impact of the pandemic**

**149.** Performance of all Scottish councils will have deteriorated in 2020/21 due to the impact of Covid-19. The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality has been exacerbated by the impact of the pandemic.

**150.** The [Improving outcomes for young people through school education \(March 2021\)](#) report looked at the progress made across Scotland in closing the poverty-related attainment gap between the most and least deprived school pupils, and considered the impact that the Covid-19 pandemic will have in future years. The report concluded that progress on closing the poverty-related attainment gap has been limited and more evidence is needed to understand educational achievement beyond exams. The report also recommended that councils should:

- work with schools, Regional Improvement Collaboratives, other policy teams and partners, for example in the third sector, to reduce variability in outcomes by more consistent application of the drivers of improvement set out in the National Improvement Framework (NIF), by:
  - using data to understand trends in outcome measures over time and across different demographic groups
  - using evidence-based quality-improvement approaches
  - sharing learning and applying good practice across schools and councils
  - helping schools to build up their data analytical, evaluation and quality-improvement skills so they can make evidence-based decisions
- monitor the short- and longer-term impacts of Covid-19 (including the impact of remote learning) on local children's and young people's learning and wellbeing and take action when required to mitigate the effects and improve outcomes
- more effectively and consistently involve young people and parents in planning to improve outcomes and to inform the local response to Covid-19
- ensure third-sector organisations working with or representing children and young people are effectively involved in local planning to improve longer-term outcomes, and to deliver the local education response to Covid-19.

**151.** Comparison of LGBF performance for 2020/21 against the council's family group will be a key indicator of how well the council and its partners responded to the pandemic, particularly in relation to the Health and Social Care Partnership, Children and Families Services, and City Development Services.



**152.** We will review and comment on the council's performance against the 2020/21 LGBF indicators in our 2021/22 Annual Audit Report.

### **Partners know that delivering sustainable improvements in the city's drug problems continues to present a significant challenge**

**153.** The [Best Value Assurance Report \(September 2020\)](#) reported that the Dundee Partnership has faced a major challenge in tackling the city's drug problems and delivering sustainable solutions that will prevent and reduce drug use across the city.

**154.** In August 2019 the Dundee Drugs Commission published its [Responding to Drug Use With Kindness, Compassion and Hope Report](#). The report included 16 recommendations split between those that could be delivered immediately (within 12 months), during a transitional period (within three years) and longer-term (within five years). They covered a wide range of areas including improving leadership, challenging stigma towards people who use drugs

**155.** The Dundee Alcohol and Drugs Partnership (ADP) leads the multi-agency strategic activities to address the issue of drug use and deaths in Dundee. Following the publication of the Dundee Drug Commission's report, the partnership appointed one of the commission members as the Chair of the ADP to work with partners to implement the report's recommendations through an Action Plan for Change.

**156.** An update on progress against the Action Plan for Change was reported to the Policy and Resources Committee in September 2020. This detailed the progress made against the original plan and highlighted the additional challenges presented by the Covid-19 pandemic. The report also set out the actions taken by the Partnership to meet the needs of people who used drugs and alcohol during the pandemic and the learning arising from this.

**157.** A further update on the Action Plan for Change was taken to the Policy and Resources Committee in February 2021. This included revised timescales for the delivery of the action plan based on the ADP's consideration of the following factors: developments with the Covid-19 pandemic situation, the resources currently available, considerations for minimising delays wherever possible, discussions with operational managers leading on process, taking account of factors relating to health and wellbeing of the workforce (in context of the Covid-19 pandemic impact), and the urgent need to address drug deaths and impact on families and communities.

**158.** Progress in delivering the Action Plan for Change against the revised timescales will be reported to the Dundee Partnership through the ADP.

**159.** Alongside the ADP's activity to deliver the Action Plan for Change, the Dundee Drugs Commission was reconvened in summer 2021 to:

- review progress achieved in implementing the Commission's previous recommendations

- consider the impact of, and the lessons learned from, measures taken in response to the Covid-19 pandemic
- agree any new findings emerging from the review and make additional recommendations if required, and
- prepare a final report for the ADP and its partners including Dundee City Council, NHS Tayside and the Dundee City Health and Social Care Partnership.

**160.** The Commission will report the findings from its work to the ADP later in 2021/22.

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### Good practice – Dundee Drugs Commission public consultation

In September 2021 the Dundee Partnership launched a survey to seek the views of the people and organisations across the city who have an interest, whether personal or professional, in the issues relating to drug use in Dundee. This survey is part of the information-gathering exercise being undertaken by Commissioners to assess progress following the publication of their Responding to Drug Use with Kindness, Compassion and Hope report. The data gathered via the survey, including lived experiences of residents of Dundee, will be valuable in the Commission identifying what steps can be taken to address drug use and reduce the number of drug deaths across the city.

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**161.** Prior to the Dundee Drugs Commission reconvening the leaders of the key Dundee agencies, including the ADP, Dundee City Council, NHS Tayside, Dundee City Health and Social Care Partnership, Police Scotland, and Dundee Volunteer & Voluntary Action, published a [Collective statement of intent](#) setting out their commitment to: “...continuing the collective effort to reduce the awful harm that drugs can cause and improve lives with kindness, compassion and hope”.

**162.** In July 2021 National Records for Scotland published the annual statistics for drug deaths in Scotland. These showed that drug deaths had reached a record high with 1,339 deaths attributed to drug use in 2020 (up from 1,264 in 2019). This level of drug deaths was more than three times higher than any other area of the United Kingdom. National Records for Scotland’s analysis also highlighted that at the beginning of the century the rate of drug-related deaths in Scotland’s most deprived areas was 10 times higher than the least deprived areas, and by 2020 this gap has increased to 18 times higher.

**163.** At a local level the figures for Dundee showed there were 57 drug related deaths during 2020. This was a reduction from a high of 72 deaths in 2019, following seven consecutive years where the number of drug deaths had increased. This may suggest that the action being taken by the Dundee Partnership is starting to have an impact on drug use in the city. However, partners know that delivering sustainable improvements in the city’s drug problems continues to present a significant challenge.

**164.** We will continue to monitor the progress made in this area during 2021/22.



## The council has complied with the requirements set out in the Statutory Performance Information direction issued by the Accounts Commission

**165.** The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

**166.** The Commission issued a revised [Statutory Performance Information Direction](#) in December 2018, effective for financial years 2019/20, 2020/21 and 2021/22. This outlines two new indicators that require each council to publish a range of information in the following areas for performance comparison and benchmarking purposes:

- **Statutory Performance Indicator 1 (SPI1): Improving local services and local outcomes**

- Performance in improving local public services, provided by both (i) the council itself and (ii) by the council in conjunction with its partners and communities.
- Progress against the desired outcomes agreed with its partners and communities.

The Commission requires the council to report such information to allow comparison (i) over time and (ii) with other similar bodies. The Commission requires the council to report on information drawn from the Local Government Benchmarking Framework in particular and from other benchmarking activities.

- **Statutory Performance Indicator 2 (SPI2): Demonstrating Best Value**

- The council's assessment of how it is performing against its duty of Best Value, and how it plans to improve against this assessment.
- Audit assessments of its performance against its Best Value duty, and how it has responded to these assessments.
- In particular, how it (in conjunction with its partners as appropriate) has engaged with and responded to its diverse communities.

**167. SPI1:** Dundee City Council continue to participate in the Local Government Benchmarking Framework and publish this data and a range of other performance information on the council website that adequately covers the requirements set out in the SPI direction issued by the Accounts Commission.

**168.** The BVAR reports that the 'Dundee Performs' section of the council's website provides an easily accessible means for citizens to see how the council performs. It provides a graphical representation of the direction of travel for each performance indicator, over the last three years and comparative

performance against the council's family group of urban peers. The performance information is presented in an easily accessible format that provides a balanced and comprehensive picture of service performance, including both areas of good and poor performance.

**169. SPI2:** The BVAR is on the council's website. As noted above, the council agreed a Best Value Assurance Improvement Plan in response to the 2020 BVAR and progress against this was reported to the Policy and Resources Committee in April 2021. This is also on the website.

## **The council is working with its Tayside partners to improve mental health services**

**170.** As reported in the [Best Value Assurance Report \(September 2020\)](#), the Independent Inquiry into Mental Health Services in Tayside published its final report, titled Trust and Respect, in February 2020.

**171.** In response to the findings in the report, Dundee City Council and its partners developed a Living Life Well strategy for mental health and wellbeing in Tayside. It set out collective ambitions across Tayside for mental health services. A number of key pieces of work to deliver the strategy are being led by the Dundee Health and Social Care Partnership, such as the development of a community wellbeing centre, and the council receive regular updates on these.

**172.** In July 2021 a [Progress Report](#) by the Independent Inquiry Review Team was published. This reported on some positive progress and the commitment and dedication of staff, partner organisations and others seeking to make a difference for patients and the wider community in Tayside. Areas where further progress is needed were also reported. The council is continuing to work with partners in implementing the strategy to improve mental health services across Tayside.

## **National performance audit reports**

**173.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 a number of reports were published which may be of interest to the council. These are outlined in [Appendix 3](#).

**174.** National reports and other Audit Scotland outputs are reviewed by officers and included in committee papers for councillors' consideration where appropriate. This includes the two annual Local Government Overview Reports which are considered by the Scrutiny Committee each year. We also noted that the following Audit Scotland Covid-19 publications were taken to the Scrutiny Committee for councillor's consideration during 2020/21: [Guide for Audit and Risk Committees](#), [Emerging Fraud Risks](#) and [Tracking the implications of Covid-19 on Scotland's public finances](#).

# Appendix 1

## Action plan 2020/21

### 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Remuneration report - Trade Union (Facility Time Publication Requirements) Regulations 2017 disclosures</b></p> <p>The regulations require a range of information in relation to the time and costs of employee involvement in trade union activity to be published by the council each year. Guidance from the Cabinet Office indicates that this should be disclosed in the remuneration report. These disclosures were not included in the unaudited 2020/21 annual accounts.</p> <p><b>Risk: The time and costs associated with staff involvement in trade union activity is not reported.</b></p>	<p>Management should put arrangements in place to ensure the required information is collated and disclosed in the remuneration report in the 2021/22 annual accounts.</p> <p>Point 2 in <a href="#">Exhibit 2</a></p>	<p>Arrangements will be made to publish 2020/21 information on the Council's website and include this in future accounts.</p> <p><b>Responsible officer:</b> Head of Corporate Finance / Head of People</p> <p><b>Agreed date:</b> June 2022</p>
<p><b>2. Calculation of estimates</b></p> <p>The basis for estimating the provision required for the impairment of debts for irrecoverable rents (i.e. HRA bad debts provision), and the accrual required for untaken annual leave at 31 March 2021 could be improved by using more relevant data.</p> <p><b>Risk: The estimates included in the annual accounts do not accurately reflect the actual liabilities.</b></p>	<p>The data used in the calculations for the 2021/22 annual accounts is updated to ensure the figures represent the most accurate estimates possible based on the data available.</p> <p>Point 6 in <a href="#">Exhibit 2</a></p>	<p>This will be reviewed as part of next year's account preparation process.</p> <p><b>Responsible officer:</b> Head of Corporate Finance</p> <p><b>Agreed date:</b> June 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Non-current asset records</b></p> <p>During the audit we identified a number of housekeeping issues with the non-current asset records maintained by the council.</p> <p><b>Risk: The asset records do not accurately reflect the council's actual asset base.</b></p>	<p>Management should review the asset records maintained to ensure they more accurately reflect the council's actual asset base.</p> <p><a href="#">Point 7 in Exhibit 2</a></p>	<p>This will be reviewed as part of next year's account preparation process.</p> <p><b>Responsible officer:</b> Head of Corporate Finance</p> <p><b>Agreed date:</b> June 2022</p>
<p><b>4. Long-term financial planning</b></p> <p>The council's long-term financial strategy has not yet been updated to reflect the impact of the Covid19 pandemic.</p> <p><b>Risk: The council does not have accurate financial information to support long-term budget and service decisions.</b></p>	<p>Management should review the long-term financial strategy to reflect the impact of Covid-19 on the council's finances going forward, including scenario planning of key financial assumptions.</p> <p><a href="#">Paragraphs 91. and 92.</a></p>	<p>The Council's long-term forecast will be updated reported to elected members. This will include a review of future funding settlements that are likely to be known next year.</p> <p><b>Responsible officer:</b> Executive Director of Corporate Services</p> <p><b>Agreed date:</b> September 2022</p>
<p><b>5. Internal audit recommendations</b></p> <p>The follow-up reviews undertaken by internal audit during 2020/21 identified a number of areas where progress has been slow in implementing the agreed recommendations from the original report.</p> <p><b>Risk: Action is not being taken to address weaknesses reported by internal audit.</b></p>	<p>Management should ensure that the outstanding actions identified through internal audit's follow-up reviews of previous internal audit reports are completed as a matter of priority.</p> <p><a href="#">Paragraphs 116. -119.</a></p>	<p>A reminder will be circulated to all officers to ensure this is these actions are prioritised and completed by end of March. The annual progress review on internal audit recommendations will also be submitted to Scrutiny Committee next September.</p> <p><b>Responsible officer:</b> Executive Director of Corporate Services</p> <p><b>Agreed date:</b> March 2022</p>

## 2020/21 recommendations for the section 106 Charitable Trusts financial statements

Issue/risk	Recommendation	Agreed management action/timing
<p><b>C1. Future of Dundee Trust</b></p> <p>During 2019/20 the funds held in the Dundee Trust were donated to the Lord Provost of Dundee Charity Fund leaving it with a nil balance at 31 March 2020 and again at 31 March 2021. The trust also holds no assets so is effectively dormant.</p> <p><b>Risk: The trust is not being used for the purposes intended.</b></p>	<p>The trustees of the Dundee Trust should consider the future of the trust and make a decision as to how this will be used going forward. This would include consideration of whether steps should now be taken, in coordination with the Office of the Scottish Charity Regulator, to wind it up.</p> <p>Paragraphs <a href="#">42.</a> and <a href="#">43.</a></p>	<p>This will be reviewed as part of next year's account preparation process.</p> <p><b>Responsible officer:</b> Executive Director of Corporate Services</p> <p><b>Agreed date:</b> March 2022</p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

### Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></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"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focussed testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business. Reviewed the appropriateness of journal entries and other adjustments recorded in the general ledger and financial statements.</li> </ul>	<p><b>Satisfactory</b></p> <p>The completion of the assurance procedures did not identify any evidence of management override of controls.</p>
<p><b>2. Risk of material misstatement caused by fraud in revenue recognition</b></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"> <li>• Analytical procedures on income.</li> <li>• Testing of key internal financial controls.</li> <li>• Detailed testing of transactions focusing on the areas of greatest risk.</li> </ul>	<p><b>Satisfactory</b></p> <p>During the course of the audit we reviewed this risk and concluded that, while it still represented a risk of material misstatement, it did not represent a significant risk of material misstatement (as defined by ISA 315) for the 2020/21 financial statements. As a result, we did not require to undertake any specific targeted audited work to address this risk as our routine testing of funding and income for the final accounts audit was sufficient to provide</p>



Audit risk	Assurance procedure	Results and conclusions
		assurance over the risk. We can confirm that no issues were identified from this testing that could have resulted in a material misstatement in the 2020/21 annual accounts.
<p><b>3. Risk of material misstatement caused by fraud in expenditure</b></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"> <li>• Analytical procedures on expenditure.</li> <li>• Testing of key internal financial controls.</li> <li>• Detailed testing of transactions focusing on the areas of greatest risk.</li> <li>• Audit work on the National Fraud Initiative matches.</li> <li>• We will review the outcome of the investigation into the contract award.</li> </ul>	<p><b>Satisfactory</b></p> <p>During the course of the audit we reviewed this risk and concluded that, while it still represented a risk of material misstatement, it did not represent a significant risk of material misstatement (as defined by ISA 315) for the 2020/21 financial statements. As a result, we did not require to undertake any specific targeted audited work to address this risk as our routine testing of expenditure for the final accounts audit was sufficient to provide assurance over the risk. We can confirm that no issues were identified from this testing that could have resulted in a material misstatement in the 2020/21 annual accounts.</p>
<p><b>4. Estimation and judgements</b></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"> <li>• Valuations on non-current assets rely on expert valuations and management assumptions.</li> <li>• The value of the council's pension liability is an estimate based on information</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Review appropriateness of actuarial assumptions.</li> <li>• 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,</li> </ul>	<p><b>Satisfactory</b></p> <p>During the course of the audit we reviewed this risk and concluded that, while it still represented a risk of material misstatement, it did not represent a significant risk of material misstatement (as defined by ISA 315) for the 2020/21 financial statements. As a result, we did not require to undertake any specific targeted audited work to address this risk as our routine testing of estimates for the final accounts audit</p>

Audit risk	Assurance procedure	Results and conclusions
<p>provided by management and actuarial assumptions.</p> <ul style="list-style-type: none"> <li>• The council's provision for doubtful debts is based on management assessments of the recoverability of debts.</li> <li>• 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.</li> </ul> <p>This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<p>and in line with historic experience.</p> <ul style="list-style-type: none"> <li>• Review of the council's evaluation and accounting for the equal pay claim.</li> <li>• Focused testing of non-current assets, pensions, financial instruments and provisions, to ensure they are fairly reflected in the accounts.</li> </ul>	<p>was sufficient to provide assurance over the risk. We can confirm that no issues were identified from this testing that could have resulted in a material misstatement in the 2020/21 annual accounts.</p>
<p><b>5. Group entities consolidation</b></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"> <li>• Review of the council's consideration of related parties to ensure all group entities are appropriately recognised.</li> <li>• Review of accounting basis for preparation of the group accounts.</li> <li>• Assessment of basis of consolidation of LACD.</li> </ul>	<p><b>Satisfactory</b></p> <p>We reviewed the group statements in the council's 2020/21 annual accounts and confirmed that the financial results of all group bodies had been consolidated in-line with the group boundary assessment.</p> <p><a href="#">Paragraphs 31. -33.</a></p>
<p><b>6. Covid-19 funding streams</b></p> <p>Councils are receiving additional funding to cover Covid-19 costs and are responsible for approving and distributing various grants and payments across a</p>	<ul style="list-style-type: none"> <li>• Review Scottish Government and CIPFA/LASAAC guidance.</li> <li>• Review of the controls in place for the payment of grants, with emphasis on the business support grant payments.</li> </ul>	<p><b>Satisfactory</b></p> <p>Management and accounting treatment of Covid-19 funding streams reviewed during the course of the audit and only issue identified related to the accounting treatment of</p>



Audit risk	Assurance procedure	Results and conclusions
<p>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>	<ul style="list-style-type: none"> <li>Review of accounting treatment and disclosures in 2020/21 annual accounts to ensure this is consistent with relevant guidance.</li> </ul>	<p>Coronavirus payment to health and social care staff.</p> <p>Point 3 in <a href="#">Exhibit 2</a></p>

## Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>7. Services pressures created by Covid-19</b></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"> <li>Monitoring the development of the Covid-19 financial plan.</li> <li>Ongoing monitoring of the council's performance reporting, and other reports and briefings on service impact of Covid-19.</li> <li>Review of annual performance report.</li> </ul>	<p>The council has adapted well to delivering services in the Covid-19 environment. Service performance has been impacted in some areas but performance against 54 per cent of the Council Plan indicators was maintained at the 2019/20 levels.</p> <p><a href="#">Paragraphs 146. and 147.</a></p>
<p><b>8. Financial sustainability</b></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-</p>	<ul style="list-style-type: none"> <li>Continue to monitor the financial position throughout the year and provide an update in the 2020/21 Annual Audit Report.</li> <li>Consider the long-term affordability of budget decisions, including any planned use of reserves.</li> <li>Ongoing assessment of the council's long-term financial strategy, including the assumptions used.</li> </ul>	<p>As outlined in section 3 of this report, the council's usable reserves increased by £28 million over the last 12 months, but these funds will be required to meet the ongoing financial pressures created by the pandemic.</p> <p>Future financial plans are challenging with a cumulative funding gap of £25.5 million projected over the period 2021-2024. The long-term financial strategy will need to be revised to reflect the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>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 balance its budget whilst meeting its strategic priorities.</p>	<ul style="list-style-type: none"> <li>Review of the longer-term financial impact of the Covid-19 pandemic.</li> </ul>	<p>longer-term financial impact of the Covid-19 pandemic.</p>
<p><b>9. Capital project delays</b></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"> <li>On-going monitoring of the capital budget, capital plans and monitoring reports.</li> </ul>	<p>The Covid-19 pandemic impacted upon the delivery of the 2020/21 Capital Plan with only 44 per cent of the plan being delivered, and a number of projects being deferred or delayed.</p> <p><a href="#">Paragraphs 64. -67.</a></p>

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# Appendix 3

## Summary of national performance reports 2020/21

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### April

[Affordable housing](#)

### June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

### July

[The National Fraud Initiative in Scotland 2018/19](#)

### January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

### February

[NHS in Scotland 2020](#)

### March

[Improving outcomes for young people through school education](#)

### May

[Local Government in Scotland Overview 2021](#)

# Dundee City Council

## 2020/21 Annual Audit Report

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