

REPORT TO: FINANCE COMMITTEE – 8 MAY 2000

**REPORT ON: ACCOUNTS COMMISSION STATUTORY REPORT - OVERVIEW REPORT
ON THE 1998/99 AUDITS OF LOCAL AUTHORITIES**

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 323-2000

1 PURPOSE OF REPORT

To appraise members of the contents of the statutory report (copy attached) issued by the Controller of Audit regarding the 1998/99 audits of Scottish Local Authorities.

2 RECOMMENDATIONS

The Committee is asked to note the contents of this report and the report by the Accounts Commission Controller of Audit, a copy of which has been passed to each Group Secretary and is also available in the Members Lounge.

3 FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

4 LOCAL AGENDA 21 IMPLICATIONS

None.

5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

6 BACKGROUND

6.1 The Controller of Audit's report highlights delays in the completion of 1998/99 Council audits. In addition the report highlights common issues identified by auditors during the course of their audit along with significant issues which have arisen at individual Councils.

6.2 Although Dundee City Council was not named specifically within the report there were some common issues identified within the Controller of Audit's report which applied to this Council.

6.3 Dundee City Council's draft accounts were presented for audit by the statutory deadline of 30 June 1999, however, due to delays in the finalisation of previous years' audits, the audit was not formally concluded until the end of January 2000. The reasons for this delay have already been the subject of reports to this Committee.

7 MAIN ISSUES HIGHLIGHTED

7.1 The Controller of Audit's report identifies a number of issues which have arisen over a range of Councils. Those issues which apply to Dundee City Council are detailed below.

7.2 Accounting Systems – Reconciliations and Internal Controls

The report highlights weaknesses in accounting controls and the absence of reconciliations within a number of councils. Members will recall that a number of steps have already been taken by the Director of Finance to ensure that all necessary controls and reconciliations, particularly bank reconciliations, are undertaken effectively and on a regular basis.

7.3 Internal Audit

- 7.3.1 The report makes reference to issues raised by auditors with regard to Councils' internal audit function. The only issue raised by this Council's external auditor was the preparation of an internal audit risk assessment. This exercise has now been completed and used as a basis for preparing the 2000/2005 Strategic Audit Plan and 2000/01 Internal Audit Plan. These documents will be considered at the next meeting of the Council's Audit Sub-Committee.
- 7.3.2 The establishment of Audit Committees by Councils was commended by the Controller of Audit as good Corporate Governance practice. Dundee City Council was one of only five councils which have established Audit Committees or adopted Audit Committee principles.

8 **CONCLUSION**

- 8.1 There were no significant issues highlighted in respect of Dundee City Council within the Controller of Audit's report.
- 8.2 A revised staffing structure to address the bank control issues raised by the Council's external auditor was approved by the Personnel and Management Services Committee on 13 March 2000. In the short time that this new structure has been operating tangible benefits have already been achieved.
- 8.3 The 1999/2000 Final Accounts planning arrangements, agreed in consultation with the External Auditor, include provision for the timely completion of all reconciliation procedures. This will be monitored on a regular basis to ensure effective compliance prior to the completion of the draft 1999/2000 Accounts by 30 June 2000.
- 8.4 The target date for completion of audits, including lodgement of the auditor's report to elected members, is now 30 September. This should, therefore, enable earlier consideration of audited accounts and any matters arising in respect of the 1999/2000 financial year.

DAVID K DORWARD
DIRECTOR OF FINANCE

Date

BACKGROUND PAPERS

SR2000/3 – Overview Report on the 1998/99 Audits of Local Authorities