

**REPORT TO: SCRUTINY COMMITTEE – 24 SEPTEMBER 2025**

**REPORT ON: RESPONSE TO EXTERNAL AUDITOR'S ANNUAL AUDIT REPORT TO MEMBERS OF DUNDEE CITY COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR TO 31 MARCH 2025**

**REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**REPORT NO: 273-2025**

**1 PURPOSE OF REPORT**

This report is a response to the report prepared by the Council's external auditor on the audit of Dundee City Council for the year to 31 March 2025. A copy of following draft reports are also included on the agenda as separate items:

- External auditor's report (Report No 272-2025); and
- Audited Annual Accounts for the City Council 2024/2025 (Report No 274-2025).

**2 RECOMMENDATIONS**

It is recommended that the Committee:

- i notes the information in this report and the contents of the draft external auditor's report including the completed action plan at Appendix 1, and in particular that Audit Scotland have indicated they will issue an unqualified audit opinion the 2024/25 Annual Accounts.
- ii endorses this report as the Council's formal response to the external auditor's report.
- iii authorises the Executive Director of Corporate Services to arrange for each of the Audited Annual Accounts noted above to be signed and then returned to the external auditor.
- iv requires the Executive Director of Corporate Services thereafter to arrange for the above Annual Accounts, including copies of all audit certificates and accounts of the Council's subsidiary bodies to be published on the Council's website.

**3 FINANCIAL IMPLICATIONS**

- 3.1 There are no direct financial implications arising from this report. A summary of the key figures reported in the accounts are noted in paragraph 4.7 of this report.

**4 MAIN TEXT**

**4.1 Introduction**

External audit is one of the key methods by which the activities and performance of local government are independently scrutinised and reported upon. The external audit of Dundee City Council for the financial year 2024/25 was carried out by Ms Rachel Browne, Director (Audit Services), Audit Scotland. Local authority external auditors are appointed for a five-year period and financial year 2024/25 marked the third year of Audit Scotland's current appointment.

- 4.2 The 2024/25 unaudited Annual Accounts were submitted to Scrutiny Committee earlier this year, (Article XII of the Minute of the Meeting of the Scrutiny Committee 25 June 2025, Report No: 182-2025 refers). The accounts were submitted to Audit Scotland on 25 June 2025. The accounts have since been subject to a three-week statutory public inspection period and no objections were received.

**4.3 External Auditor's Report**

Audit Scotland have now completed their audit work and, in accordance with auditing standards (ISA 260: Communication with those charged with governance), are required to report the outcome of their work in relation to their review of the financial statements, prior to formally issuing their audit opinions. This requirement has been addressed in the External Auditor's report.

- 4.4 The report summarises the findings in relation to the overall audit of the Council for the year ended 31 March 2025. The attached report describes the scope of audit work undertaken during 2024/25 and the issues arising from that work are divided into three key areas looking at:

- audit of 2024/25 annual accounts
- wider scope audit work
- Best Value audit

- 4.5 In addition to the elected members of Dundee City Council, the external auditor's report is also addressed to the Controller of Audit at the Accounts Commission for Scotland. Given this wider audience, and the extent of the external auditor's responsibilities and scope of work, the report is by necessity both fulsome and extensive. It contains much information that has already been reported to the relevant committees of Dundee City Council. Further to this, external audit reports issued previously already include agreed management action plans that are the subject of separate consideration by the Scrutiny Committee. Accordingly, it is not the intention in this report to provide a detailed response or commentary on all of the external auditor's findings.

4.6 Audit Adjustments

Through the audit process, technical adjustments to the Council's financial statements were identified. Further details are provided in Exhibit 4 on page 18. These adjustments related to property revaluations as at 31 March 2025.

It should be noted that none of these adjustments had any impact on the General Fund balance or usable reserves more generally.

4.7 Summary of key figures

The Council's draft 2024/25 Audited Annual Accounts show that there was an overspend of £10.700m. The main components of the underspend are shown on page 3 of the accounts, with a more detailed analysis of the main areas of budget variance shown on page 4. The table on page 6 of the accounts shows that usable reserves increased by £14.505m over the year, with a closing balance of £77.745m. Within this total, General Fund balances decreased by £10.700m to £67.031m at 31 March 2025. The various ear-marked components of the General Fund balance, totalling £58.857m, are shown on page 5 and in note 10 on page 78 of the accounts. The uncommitted element of the closing General Fund balance is estimated at £8.174m. This equates to 1.6% of annual budgeted net expenditure.

Capital expenditure in 2024/25 totalled £122.149m. The key projects in the capital programme are shown in the table on pages 6 and 7 of the accounts. The Balance Sheet on page 56 of the accounts shows that the Council's overall net assets have decreased by £82.654m, to £990.0m at 31 March 2025. The main reasons for this movement are increased levels of debt, partly due to the required adoption of IFRS16 which requires a remeasurement of service concession debt, offset to some extent by the increases in fixed assets (notably the new Drumgeith Campus).

The Council's pensions liability, as measured under IAS19 (Employee Benefits) decreased by £3.830m, to £28.391m at 31 March 2025.

4.8 Action Plan

The external auditor has made five recommendations arising from the 2024/25 Council audit that require further action by the Council. These recommendations have been considered

carefully by the Chief Executive and Executive Director of Corporate Services and the completed action plan, incorporating the "agreed management action / timing", is included at Appendix 1 to the external auditor's report. The progress on implementing these agreed action points will be monitored by the Council's Risk and Assurance Board through the Council's established procedures for dealing with external audit reports and reviewing previously agreed action plans.

#### 4.9 Conclusions

The external auditor has undertaken a thorough and wide-ranging review of the financial statements and the processes and procedures around their preparation. In addition to the audit of the accounts, the external auditor examined several areas covering a wide range of activities during 2024/25, including Best Value.

Whilst a small number of adjustments were required to the unaudited accounts and some areas for improvement have been identified, it is pleasing to note that the overall findings and conclusions are satisfactory. In particular, the Council can take encouragement from the following key findings:

- the Council's budget setting and financial management arrangements operated effectively during 2024/25
- The Council has effective and appropriate arrangements in place for securing Best Value
- An unqualified audit opinion will be issued

#### 4.10 Next steps

Following the approval of the accounts for signature, the relevant statements of the Annual Accounts will be signed and dated by the appropriate officers and then returned to the external auditor. In line with statutory requirements, copies of the Annual Accounts together with the audit certificate and accounts of the Council's subsidiary bodies will then be published on the Council's website.

### 5 **POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

### 6 **CONSULTATIONS**

The Council Leadership Team were consulted in the preparation of this report.

### 7 **BACKGROUND PAPERS**

None.

**PAUL THOMSON**  
**EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

**16 SEPTEMBER 2025**

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