



# Dundee, Perth, Angus and North Fife Strategic Development Planning Authority

Annual Audit Plan 2016/17

 AUDIT SCOTLAND

Prepared for Dundee, Perth, Angus and North Fife Strategic Development Planning Authority  
March 2017

## Who we are

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

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



## About us

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

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

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

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# Risks and planned work

## Introduction

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), (the Code) and any other relevant guidance. The Code requires appointed auditors to give an opinion on the financial statements and report on other related matters. It also sets out further responsibilities for the wider scope of public audit in Scotland, as defined by the Code. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

2. Supplementary Guidance allows appointed auditors to use judgement to conclude that the full application of the wider scope is not appropriate based on the risks, nature and size of an audited body (a small audited body clause). In our judgement the small audited body clause applies to Dundee, Perth, Angus and North Fife Strategic Development Planning Authority (the Authority).

3. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the restricted wider scope requirements as a small audited body.

## Audit risks

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

## Exhibit 1

Audit Risk	Management assurance	Planned audit work
<b>Financial statement issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 also requires auditors to consider management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>owing to the nature of this risk, assurances from management are not applicable.</li> </ul>	<ul style="list-style-type: none"> <li>detailed testing of journal entries</li> <li>review of accounting estimates for bias</li> <li>evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<p><b>2 Risk of fraud over expenditure</b></p> <p>ISA 240 <i>The auditor's responsibilities relating to fraud in an audit of financial statements</i></p>	<ul style="list-style-type: none"> <li>budget monitoring by management.</li> <li>financial regulations in place.</li> </ul>	<ul style="list-style-type: none"> <li>detailed testing of transactions focusing on the areas of greatest risk.</li> </ul>

Audit Risk	Management assurance	Planned audit work
<p>include certain requirements relating to the auditor's consideration of fraud. The Code of Audit Practice requires consideration of risk of fraud over expenditure. The Authority incurs material expenditure which requires audit coverage.</p>	<ul style="list-style-type: none"> <li>internal controls in Dundee City Council's financial systems to mitigate risks of error or manipulation.</li> </ul>	
<p><b>3 Revisions to the presentation of the financial statements</b></p> <p>The 2016/17 Code of Practice on Local Authority Accounting makes a number of changes in the presentation of the financial statements. These changes include revisions to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Annual Governance Statement and the requirement for a new Expenditure and Funding Analysis.</p> <p>These changes present a risk of material misstatement in the financial statements if they are not properly actioned.</p>	<ul style="list-style-type: none"> <li>consideration of changes required through final accounts working group.</li> </ul>	<ul style="list-style-type: none"> <li>focussed testing on the financial statements to ensure that the changes have been properly actioned.</li> </ul>
<p><b>4 The Local Authority Accounts (Scotland) Regulations 2014</b></p> <p>The regulation stipulate that:</p> <ul style="list-style-type: none"> <li>unaudited accounts are required to be considered by the Authority by 31 August</li> <li>audited accounts are to be approved by the Authority by 30 September</li> <li>publication on the Authority's website of: the signed audited financial statements by 31 October; and the annual audit report by 31 December</li> </ul> <p>In previous years, the Authority's schedule of meetings resulted in the Authority not adhering to these regulations. Further to this, the audited financial statements and annual audit report are yet to be published on the Authority's website. There is a risk that the Authority is in breach of regulatory requirements.</p>	<ul style="list-style-type: none"> <li>consideration of unaudited accounts by the Authority prior to 31 August.</li> <li>approval of the audited accounts for signature prior to 30 September.</li> <li>publication of the audited accounts by 31 October.</li> <li>publication of the annual audit report by 31 December.</li> </ul>	<ul style="list-style-type: none"> <li>communication with management and those charged with governance regarding timetable of accounts process.</li> </ul>
<p><b>Wider dimension risks</b></p>		
<p><b>5 Members training</b></p> <p>The 2017 local government</p>	<ul style="list-style-type: none"> <li>induction training is planned for new members. This will take consideration of the</li> </ul>	<ul style="list-style-type: none"> <li>review of the Authority's induction and training arrangements for members</li> </ul>

Audit Risk	Management assurance	Planned audit work
elections may result in changes in the Authority's membership. There is a risk that there is a loss of skills and experience amongst members.	Audit Scotland's 'How Councils Work' publication on the role of councillors.	following the local government elections.

## Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the Authority and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. We will provide the Authority and Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

## Exhibit 2

### 2016/17 Audit outputs

Audit Output	Target date	Joint Committee Date
Annual Audit Report including ISA 260 requirements	11 September *	19 September
Signed Independent Auditor's Report	19 September	N/A

\* This date is the date the proposed Annual Audit Report will be presented for those charged with governance. To allow for potential subsequent post balance sheet events, the formal Annual Audit Report cannot be presented until after the date of certification of the annual accounts on 19 September.

## Audit fee

8. The proposed audit fee for the 2016/17 audit of the Authority is £2,770 (2015/16 £2,820), a reduction of 1.8% on the 2015/16 fee. In determining the audit fee we have taken account of the risk exposure of the Authority, the planned management assurances in place. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package, by 30 June 2017.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Responsibilities

### Joint Committee and Proper Officer

**10.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**11.** The audit of the financial statements does not relieve management or the Joint Committee, as those charged with governance, of their responsibilities.

### Appointed auditor

**12.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

**13.** Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Financial statements

**14.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

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

**15.** We will give an opinion on the financial statements as to: whether they:

- give a true and fair view in accordance with applicable law and the Code of the state of affairs of the Authority and of their income and expenditure for the year
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the Code
- 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.

## Materiality

**16.** Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for the Authority are set out in [Exhibit 3](#).



## Exhibit 3

### Materiality values

Materiality level	Amount
<b>Planning 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 based on the latest audited accounts.	£1,970
<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 90% of planning materiality.	£1,773
<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. As the financial statements are compiled in £'000s the threshold has been set at £1,000.	£1,000

17. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issue identified will be reported to the Authority.

### Timetable

18. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned quarterly Authority meetings.

## Exhibit 4

### Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	20 June
Latest submission date of unaudited financial statements with complete working papers package	30 June
Latest date for final clearance meeting with Treasurer	29 August
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	11 September
Independent auditor's report signed	19 September

### Internal audit

19. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and would normally as part of our planning processes carry out an assessment of the internal audit function. The Authority does not engage an internal audit function as management consider there to be no requirement for a body the size of the Authority.

## Audit dimensions

**20.** As noted at paragraph 2, in our opinion the full application of the wider scope is not appropriate for the Authority. However, as a minimum, the Code requires annual audit work on financial sustainability and the appropriateness of the disclosures in the governance statement. As a result our wider dimension work will be restricted to financial sustainability and governance and transparency arrangements.

## Financial sustainability

**21.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

## Governance and transparency

**22.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the Authority can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

## Independence and objectivity

**23.** Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland's Ethics Partner.

**24.** The engagement lead for the Authority is Bruce Crosbie, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Authority.

## Quality control

**25.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**26.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

**27.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Dundee, Perth, Angus and North Fife Strategic Development Planning Authority

## Annual Audit Plan 2016/17

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