

Dundee, Perth, Angus & North Fife Strategic Development Planning Authority

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Dundee, Perth, Angus & North Fife Strategic Development Planning Authority
and the Controller of Audit

27 September 2018

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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Key messages

2017/18 annual report and accounts

- 1** The Authority's financial statements give a true and fair view and were properly prepared.
- 2** The audited part of the remuneration report, management commentary and the annual governance statement are all consistent with the financial statements.

Financial sustainability

- 3** The Authority's financial position is sustainable in the foreseeable future. It has a sufficient level of reserves and there is a medium term financial plan in place.
- 4** It is unclear what impact the Scottish Government's planning review will have upon the future delivery of services.

Governance and transparency

- 5** The information in the annual governance statement is consistent with the financial statements and complies with applicable guidance.
- 6** The Authority has appropriate governance arrangements in place that support the scrutiny of decisions made.
- 7** The Authority is open and transparent in the way it conducts its business and the public can attend Joint Committee meetings.

Introduction

1. This report summarises the findings from our 2017/18 audit of Dundee, Perth, Angus & North Fife Strategic Development Planning Authority (the Authority).
2. The scope of our audit was set out in our Annual Audit Plan presented to the January 2018 meeting of the Authority. The report comprises findings from:
 - an audit of the annual accounts
 - consideration of the financial sustainability and the governance and transparency arrangements in the Authority
3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

4. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the financial sustainability of the body and its services and the appropriateness of the disclosures in the annual governance statement.
5. As highlighted in our 2017/18 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2017/18 audit of the Authority.
6. The Authority has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Authority 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.

7. 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 \(2016\)](#) and supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts and conclusions on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.

9. The 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.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £2,810 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to the Authority by providing insight and foresight on financial sustainability and by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the Authority promote improved standards of financial planning, better management and decision making.

13. This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

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.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

The Authority's financial statements give a true and fair view and were properly prepared.

The audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements.

Audit opinions on the annual report and accounts

15. The annual report and accounts for the year ended 31 March 2018 were approved by the board on 27 September 2018. We reported, within our independent auditor's report that:

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

16. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records or the information and explanations we received.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

17. We received the unaudited annual report and accounts on 13 June 2018 in line with the audit timetable set out in our 2017/18 Annual Audit Plan.

18. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Risks of material misstatement

19. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

20. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When

deciding on what is material we consider both the amount and nature of the misstatement.

21. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual accounts we reviewed our planning materiality calculations. The revised materiality levels are summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure used in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2018.	£4,880
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 90% of overall materiality.	£4,392
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. We consider £1,000 to be an appropriate figure of interest to members.	£1,000

Source: Audit Scotland

How we evaluate misstatements

22. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit (ISA 260)

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. Findings include our views about significant qualitative aspects of the board's accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the annual report and accounts, accounting estimates and judgements and the effect of any unusual transactions on the financial statements.

24. One significant finding was identified in the audit and this is noted in Exhibit 3. The finding has resulted in a recommendation to management and a cross reference to the Action Plan in Appendix 1 has been included.

Exhibit 3

Significant finding from the audit of the financial statements

Finding	Resolution
1. Public Notice of Accounts: pre-audit inspection	The Authority should ensure the public notice is made available on the website

Finding	Resolution
<p>The Authority must give public notice of the right of interested persons to inspect and object to its accounts in accordance with The Local Authority Accounts (Scotland) Regulations 2014. This public notice must be given no later than 17 June immediately following the financial year to which the accounts relate.</p> <p>The public notice was uploaded to the authority's website on 21 June 2017, 3 days after the latest date allowable under the statutory regulations.</p>	<p>within the timeframe allowable under the 2014 regulations.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>Source: Audit Scotland</p>	

Other findings

25. We identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Follow up of prior year recommendations

26. We have followed up actions previously reported and assessed progress with implementation. These are reported in [Appendix 1](#).

27. In total, 2 agreed actions were raised in 2016/17 and these have been fully implemented in 2017/18.

28. We have concluded that good progress has been made with prior year recommendations.

Objections

29. As noted above, the Local Authority Accounts (Scotland) Regulations 2014 require a local authority body to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. There were no objections to the accounts following publication of the public notice.

Part 2

Financial sustainability



Main judgements

The Authority's financial position is sustainable in the foreseeable future. It has a sufficient level of reserves and there is a medium term financial plan in place.

It is unclear what impact the Scottish Government's planning review will have upon the future delivery of services.

Financial performance in 2017/18

30. The Authority approved a three year budget in February 2017. The approved budget for 2017/18 was £0.345 million, to be met from constituent authorities' requisitions of £0.184 million and £0.161 million from reserves. This was an increase of £0.085 million (32.7%) on the approved 2016/17 revenue budget.

31. The financial performance of the Authority during 2017/18 resulted in an underspend against budget of £0.111 million. The more significant underspends are summarised in [Exhibit 4](#).

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Exhibit 4

Summary of significant variations against budget

Area	Underspends	Reasons for underspend
Staff costs	£0.063 million	Senior Planning Officer post vacant and Planning Officer on maternity leave during 2017/18 contributed to staff budget underspend.
Supplies & services	£0.012 million	Savings on computer cost of £0.004 million, hospitality and venue hire of £0.003 million and general office expenses of £0.005 million
Third party payments	£0.030 million	Underspend on external consultancy fees for commissioning of Transport modelling and on other consultancy work to support the preparation of TAYplan 3 which wasn't being progressed due to Scottish Government's intent to abolish Strategic Development Plans from the Scottish planning system.

32. The Authority had budgeted to use £0.161 million of its general reserve in 2017/18 but the £0.111 million underspend enabled the Authority to reduce its usage of reserves in 2017/18 to £0.050 million. This resulted in a general reserve balance as at 31 March 2018 of £0.147 million.

Financial planning

33. It is important that longer-term financial strategies are in place which link spending to the Authority's strategies. Although members only approve the revenue budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on the Authority.

34. The Authority produces a three year revenue budget. The three year budget was approved by the Joint Committee in January 2018.

35. We have concluded that the Authority has adequate financial planning arrangements in place.

Reserves

36. The Authority holds a general fund reserve, the main purpose of which is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows. The Joint Committee agreed in February 2014 to hold a minimum of £0.025 million as a balance in reserve.

37. The usable reserves held by the Authority at 31 March 2018 were £0.147 million (2016/17 £0.197 million) and therefore the general fund reserve exceeds the minimum level in the approved reserve strategy.

38. The three year budget presented to the Joint Committee in January 2018 projects a reduction in the general reserve balance to £0.041 million by 31 March 2020, (mainly as a result of planned rebates to constituent authorities) but this is dependent on any impact arising from the Scottish Government's planning review.

Part 3

Governance and transparency



Main judgements

The information in the annual governance statement is consistent with the financial statements and complies with applicable guidance.

The Authority has appropriate governance arrangements in place that support the scrutiny of decisions made.

The Authority is open and transparent in the way it conducts its business and the public can attend Joint Committee meetings.

Annual governance statement

39. Our review of the annual governance statement assessed the assurances which are provided to the Strategic Development Planning Authority (SDPA) Manager as Accountable Officer regarding the adequacy and effectiveness of the Authority's system of internal control which operated in the financial year.

40. The annual governance statement summarises the overall control arrangements of the system of internal control. Dundee City Council, as host authority, provides support in some key areas of business, particularly in finance, legal services and information technology.

41. Dundee City Council's Senior Manager – Internal Audit has provided an annual assurance statement which notes that "it is considered reasonable to conclude that the operational governance, risk management and control framework in place for TAYplan (the Authority) is that of Dundee City Council's and therefore the assurances provided to Dundee City Council for 2017/18 can be mapped to TAYplan for the purposes of informing its Annual Governance Statement.

42. The Senior Manager – Internal Audit concluded in her annual internal audit report on Dundee City Council that "...reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2018."

43. We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Governance arrangements

44. 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.

45. Members and management of the Authority 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.

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.

46. Based on our observations and audit work performed during 2017/18, we concluded that the Authority has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision-making.

Transparency

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

48. There is evidence which demonstrate the Authority's commitment to transparency. Members of the public can attend meetings of the Joint Committee. Minutes of the latest Joint Committee meetings and supporting papers are readily available on the Authority's website. The Authority also makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget and risks and uncertainties facing the Authority.

49. Overall, we concluded that the Authority conducts its business in an open and transparent manner.

Internal Audit

50. The Authority's internal audit function is carried out by Dundee City Council's internal audit service. A peer review was carried out by East Lothian Council's Internal Audit Manager and concluded that the Council's Internal Audit Service fully conforms with 11 of the 13 standards set out in the Public Sector Internal Audit Standards (PSIAS) and generally conforms with the remaining 2. We have also concluded that internal audit generally operates in accordance with the PSIAS and has sound documentation standards and reporting procedures in place.

51. We did not place any formal reliance on internal audit reviews for the Authority in 2017/18.

Standards of conduct for prevention and detection of fraud and error

52. The Authority has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

53. We concluded that the Authority has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

Other matters

54. An independent review published in 2016 recommended that Strategic Development Plans should be replaced by an enhanced National Planning Framework. The Scottish Government published its consultation document in January 2017 which outlined proposed changes to the system.

55. An independent analysis of the responses to the consultation and a position statement were published in June 2017. The Scottish Government introduced the Planning (Scotland) Bill in the Scottish Parliament in December 2017.

56. The Bill sets out the proposed reforms to the Scottish planning system, including the system of development planning. As part of the proposals, SDPs will be abolished, removing this statutory tier of regional development planning. Regional planning will be reflected in a new National Planning Framework (NPF).

57. The proposals make provision for local authorities to adopt flexible partnership arrangements for continued collaborative working. There will also be a duty for local authorities to assist in preparation of the NPF. As the Bill passes through the parliamentary process the future role of the Authority will become clearer. The four local authorities of the Authority will require to respond to the Bill once it is passed.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Public Notice of Accounts</p> <p>The Authority must give public notice of the right of interested persons to inspect and object to its accounts in accordance with The Local Authority Accounts (Scotland) Regulations 2014. This public notice must be given no later than 17 June immediately following the financial year to which the accounts relate. The public notice was uploaded to the authority's website on 21 June 2017, 3 days after the latest date allowable under the statutory regulations.</p> <p>Risk</p> <p>The Authority may be open to legal challenge if it does not comply with regulations.</p>	<p>The authority should ensure the public notice is made available on the website within the timeframe allowable under the 2014 regulations.</p> <p>Paragraph 23</p>	<p>Action: Measures will be established to ensure the timescale for issuing the Statutory notice will be achieved in future years</p> <p>Responsible officer: Treasurer</p> <p>Action date: June 2019</p>

Follow up of prior year recommendations

PY1	<p>Management Commentary, Annual Governance Statement and Annual Remuneration Report</p> <p>A number of disclosures required by extant guidance and regulations had not been presented appropriately in the annual accounts.</p> <p>Risk: The accounts may not comply with current guidance and regulations.</p>	<p>The Authority should ensure there is a process in place to ensure that the requirements of existing guidance and regulations are met.</p>	<p>Action complete.</p> <p>The Management Commentary, Annual Governance Statement and Annual Remuneration Report within the 2017/18 annual accounts are compliant with current guidance and regulations.</p>
PY2	<p>Internal Audit</p> <p>The internal auditor's annual report to Dundee City Council provides the internal auditor's opinion on the systems of</p>	<p>The Authority should report annually to the Joint Committee on internal audit's work on the main financial systems used by the Authority.</p>	<p>Action complete.</p> <p>The Senior Manager – Internal Audit has provided an assurance statement which provides the SDPA Manager</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>control and is relied on for the purposes of providing assurance to the Authority. This is not reported to the Joint Committee.</p> <p>The internal auditor's annual report is a key source of assurance for the Authority's annual governance statement and in our view, formalising the reporting of the reviews to the Joint Committee would provide evidence that all appropriate areas have been considered for inclusion in its annual governance statement.</p> <p><i>Risk: Members may not be able to fully scrutinise the control arrangements impacting on the Authority.</i></p>	<p>This would provide evidence to support the content of the Authority's Annual Governance Statement.</p>	<p>with assurance to support the Annual Governance Statement.</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 report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No instances of management override of controls were identified.</p> <p>All journals and significant transactions tested (including accruals) were found to be appropriate.</p> <p>Sources of accounting estimates were reviewed and found to be without management bias.</p> <p>We reviewed transactions for the year. No significant transactions were identified that are outside the normal course of the Authority's business.</p>
<p>2 Risk of fraud over expenditure</p> <p>Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p>	<p>Assessment of key financial controls over expenditure.</p> <p>Detailed testing of transactions focusing on the greater areas of risk.</p>	<p>Detailed testing of key financial controls over expenditure within Dundee City Council systems used by the Authority found no significant weaknesses which would impact on the Authority's transactions.</p> <p>Testing of 2017/18 expenditure transactions identified no errors or instances of fraud.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Redesign of Planning Authorities</p> <p>An independent review published in 2016 recommended that Strategic Development Plans should be replaced by an enhanced National Planning Framework.</p> <p>Following a consultation process a position statement was published in June 2017.</p>	<p>Review reports to the Authority to monitor the progress of the changes to the planning framework and the impact on the Authority.</p>	<p>We reviewed an update on the Planning (Scotland) Bill taken to the Joint Committee in January 2018.</p> <p>The report outlines the process the Bill will now follow through parliament and the potential impact on the Authority, should the Bill be passed.</p> <p>We have taken cognisance of the implications of the report for the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The Planning (Scotland) Bill was presented to Parliament on 4 December 2018 which, if approved, should clarify the role of planning authorities in the future.</p> <p>During any transition period there is a risk that there is a negative impact on the Authority's governance and performance arrangements.</p>		<p>Authority and noted these in paragraphs 54-57.</p> <p>Changes to the function of the Authority are not likely to come into effect until 2019/20.</p>

Appendix 3

Summary of national performance reports 2017/18



		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	 Scotland's colleges 2017
		Jul	 NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk