

Aberdeen City and Shire Strategic Development Planning Authority

Report to Members and the Controller of Audit on the 2008/09
Audit

October 2009



 AUDIT SCOTLAND

Aberdeen City and Shire Strategic Development Planning Authority

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Introduction

1. Aberdeen City and Shire Strategic Development Planning Authority was set up in June 2008. This report summarises the findings from our 2008/09 audit of the Authority and covers the period from its inception to 31 March 2009.
2. The financial statements of the Authority are the means by which it accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. It is the responsibility of the Authority to prepare financial statements that give a true and fair view of its financial position and the income and expenditure for the period to 31 March 2009.
3. The members and officers of the Authority are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed
 - the Authority's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests
 - the Authority has adequate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability
 - the systems of internal control provide an appropriate means of preventing or detecting material misstatement, error, fraud or corruption
 - the Authority has proper arrangements for securing best value in its use of resources.



Financial statements

Introduction

4. In this section we summarise key outcomes from our audit of the Authority's financial statements for 2008/09. We also summarise key aspects of the Authority's reported financial position and performance to 31 March 2009.
5. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view of the financial position of the Authority and its expenditure and income for the period to 31 March 2009
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We also review the Statement on the System of Internal Financial Control by considering the adequacy of the process put in place by the Authority to obtain assurances on systems of governance and internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the Authority.

Overall conclusion

7. We have given an **unqualified** opinion on the financial statements of Aberdeen City and Shire Strategic Development Planning Authority for 2008/09. One material error was identified during the audit and was corrected in the audited financial statements. There are, therefore, no unadjusted misstatements to bring to the attention of members. Audited accounts were finalised by the target date of 30 September and are now available for presentation to the Authority and publication.
8. The Authority is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP'). Overall, we were satisfied that the Authority prepared its financial statements in accordance with the 2008 SORP. There are, however, a couple of matters arising regarding the preparation and submission of the accounts which require to be brought to members' attention:
 - the unaudited financial statements were not submitted to the Controller of Audit by the statutory deadline of 30 June 2009. We have been advised that this was due to a misunderstanding of the process and that financial statements will be submitted by the due date in future years
 - a number of changes were made to the financial statements submitted for audit to improve their presentation.

Action plan no. 1



Financial position

Operating performance 2008/09

9. The Authority's net operating expenditure in 2008/09 was £0.217 million. This was met by requisitions from constituent authorities and government grants totalling £0.411 million, resulting in an income and expenditure account surplus of £0.194 million. The majority of this surplus relates to staff vacancies in the early months of the Authority and the balance of the additional grant received to fund initial set up costs. The surplus has been used to establish the Authority's general fund to cover contingencies and unexpected expenditure in future years.

Legality

10. Each year we request written confirmation from the Treasurer that the Authority's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes. The Treasurer has confirmed that, to the best of his knowledge and belief and having made appropriate enquiries of other senior officers, the financial transactions of the Authority were in accordance with the relevant legislation and regulations governing its activities.
11. There are no additional legality issues arising from our audit which require to be brought to members' attention.

Financial outlook

IFRS adoption

12. Local government will move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2010/11. Although some aspects of IFRS have already been adopted, 2009/10 is a key year in the transition to IFRS with local government bodies expected to prepare a comparative balance sheet as at 1 April 2009. The Partnership needs to ensure it has plans in place to enable it to comply with the new requirements of IFRS.

Action plan no. 2



Governance

Introduction

13. In this section we comment on key aspects of the Authority's governance arrangements during 2008/09.

Overview of arrangements in 2008/09

14. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviour at the upper levels of the organisation. The Authority has a responsibility to put in place arrangements for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice. As a new body, the Authority is still developing its own corporate governance arrangements, including arrangements for the prevention and detection of fraud and irregularities. In the meantime, it relies on the arrangements in place within constituent authorities to ensure it meets its corporate governance responsibilities.

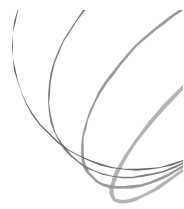
Action plan no. 3

Statement on the system of internal financial control

15. A Statement on the System of Internal Financial Control is included within the annual financial statements, and highlights the Treasurer's view that he is satisfied that the Authority has a sound system of internal financial control in place and at this time there are no material weaknesses or failures identified that could have a material effect on the operation of the Authority.
16. The statement highlights that Aberdeen City and Shire Strategic Development Planning Authority operates the financial systems of Aberdeenshire Council and that these systems are subject to review by both the council's internal audit section and the council's external auditor. The Treasurer has taken assurance from this work in forming his opinion on the internal financial control system. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Systems of internal control

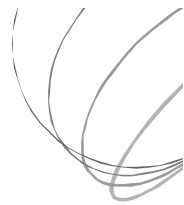
17. The Authority's financial transactions are processed through Aberdeenshire Council's financial systems. It is the responsibility of the Authority's management to maintain adequate financial systems and associated internal controls. The auditor evaluates significant financial systems and associated internal controls both for the purpose of giving an opinion on the financial statements and as part of a review of the adequacy of governance arrangements.



18. Our review of these systems was conducted as part of the audit of Aberdeenshire Council, supplemented by specific audit work on the Authority's financial statements. Overall there are no material issues of concern in relation to the operation of the main financial systems.

19. Aberdeen City and Shire Strategic Development Planning Authority is set up as a cost centre within Aberdeenshire Council's financial ledger and not as a separate organisation. In our view, there is a risk that the Authority's transactions may not be properly reflected within the financial ledger, resulting in the misstatement of the Authority's financial position within the financial statements. As part of our 2008/09 audit we requested and received written confirmation from the Treasurer that all material agreements and transactions undertaken by the authority were properly reflected in the 2008/09 financial statements. The Authority should consider setting the Authority up as a separate organisation within Aberdeenshire Council's financial ledger.

Action plan no. 4



Final remarks

20. The members of Aberdeen City and Shire Strategic Development Planning Authority are invited to note this report. We would be pleased to provide any additional information that members may require.

21. The co-operation and assistance given to us by officers of the Authority is gratefully acknowledged.

Audit Scotland
October 2009



Appendix: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para. No	Risk Identified	Management Response and Planned Action	Responsible Officer	Target Date
1	8	<p>Submission of unaudited financial statements</p> <p>The unaudited financial statements were not submitted to the Controller of Audit by the statutory deadline of 30 June 2009.</p> <p><i>Risk: the Authority will fail to meet the statutory deadline for the submission of the 2009/10 unaudited financial statements.</i></p>	<p>The unaudited financial statements were submitted to the local audit team in Aberdeen prior to 30th June. However, due to a misunderstanding a copy was not submitted to the Controller of Audit by the due date. This situation will not be repeated in the future.</p>	Treasurer	30 June 2010
2	12	<p>Adoption of International Financial Reporting Standards (IFRS)</p> <p>2009/10 is a key year in the transition to IFRS, with local government bodies expected to prepare a comparative balance sheet as at 1 April 2009.</p> <p><i>Risk: the Authority will be unable to produce IFRS compliant financial statements within the required timescales.</i></p>	<p>Aberdeenshire Council is well advanced in its preparations for IFRS, and has employed external advisors in conjunction with most other Scottish councils. The work undertaken for the Council will be transferred to the Partnership to ensure full compliance with the new accounting requirements.</p>	Treasurer	31 March 2010



Action Point	Refer Para. No	Risk Identified	Management Response and Planned Action	Responsible Officer	Target Date
3	14	<p>Corporate governance arrangements</p> <p>The Authority is still developing its own corporate governance arrangements, including arrangements for the prevention and detection of fraud and irregularities.</p> <p><i>Risk: in the absence of corporate governance arrangements approved by the Authority, there may be confusion as to which of the constituent authorities' arrangements should be followed in individual circumstances.</i></p>	<p>The risk identified is not material and existing corporate governance arrangements drawn from constituent authorities can be used. The memo and articles of the SDPA allow for the Financial Regulations of the Council providing the Treasurer to be used so there should be no confusion. However, the Authority will develop its own arrangements and it is anticipated that this work will be completed by the end of the financial year.</p>	Strategic Development Planning Manager	31 March 2010
4	19	<p>Systems of Internal Control</p> <p>Aberdeen City and Shire Strategic Development Planning Authority is set up as a cost centre within Aberdeenshire Council's financial ledger and not as a separate organisation.</p> <p><i>Risk: Aberdeen City and Shire Strategic Development Planning Authority transactions may not be properly reflected within the financial ledger, resulting in the misstatement of the Authority's financial position within the financial statements.</i></p>	<p>The small number of transactions mitigates the risk that has been highlighted. The position will continue to be monitored and action taken if this is deemed to be necessary.</p>	Treasurer	31 March 2010