

Dundee, Perth, Angus and North Fife Strategic Development Planning Authority Joint Committee (TAYplan)

**Report to Members and the Controller of Audit
on the 2009/10 Audit**

October 2010



 AUDIT SCOTLAND



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Key Messages

In 2009/10 we have audited the financial statements and looked at aspects of governance within TAYplan. This report sets out our main findings.

Overall, we found the financial stewardship of TAYplan during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- an unqualified opinion has been issued on the financial statements for 2009/10
- the statement on the system of internal financial control included in the accounts complies with accounting requirements and is not inconsistent with audit findings
- final accounts preparation procedures and working papers were good and this enabled the audit to progress smoothly
- many aspects of a sound corporate governance framework are in place
- a fraud strategy and written procedures for investigating suspected fraud are in place.

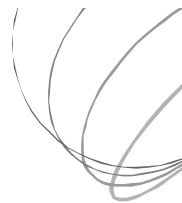
TAYplan operates the corporate financial systems of Dundee City Council under a service level agreement. As external auditor of the council, we have also been able to take assurance from our work on these systems.

The financial challenges facing the public sector are well documented, with public sector bodies facing deep and prolonged cuts in funding. Whilst there remains uncertainty about the impact of these cuts on the TAYplan it will not be immune from them and will need to identify ways of delivering services with decreasing levels of income.

The co-operation and assistance given to us by TAYplan members, officers and staff is gratefully acknowledged.



October 2010



Introduction

1. This report summarises our findings from our 2009/10 audit of TAYplan. The scope of our audit was set out in our audit plan issued in March 2010.
2. The financial statements of the committee are the means by which it accounts for its stewardship of the resources available to it and its financial performance in the use of those resources. It is the responsibility of the committee to prepare financial statements that give a true and fair view of the financial position and expenditure and income of the board the year.
3. The members and officers of TAYplan 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
 - TAYplan'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
 - TAYplan has adequate corporate 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 mis-statement, error, fraud or corruption; and
 - TAYplan 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 board's financial statements for 2009/10 and aspects of TAYplan's reported financial performance, and provide an outlook on future financial reporting issues.

Audit Opinion

5. We have given an unqualified on the financial statements of TAYplan for 2009/10, concluding that the statements:
 - give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of the joint board as at 31 March 2010 and its income and expenditure for the year then ended
 - have been prepared properly in accordance with Local Government (Scotland) Act 1973.

Financial position

6. TAYplan's Income and Expenditure Account shows a net deficit of £10,000 for the period compared to a budgeted deficit of £40,000. This is due to underspends on staffing, third party payments, property costs and supplies and services in year.

Issues arising

7. TAYplan's financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation procedures and working papers were good and this enabled the audit to progress smoothly.
8. Local authorities in Scotland are 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 TAYplan had prepared the accounts in accordance with the SORP.
9. We note that no provision has been made in the accounts for pension liabilities under Financial Reporting Standard (FRS)17 – retirement benefits. We understand the reasons for this to be the immateriality of any such provision, as well as the cost involved in obtaining a FRS17 valuation from the actuary. Although TAYplan only employs three members of staff, there is a risk that, over time, pension liabilities will become significant and that the accounts will be misstated, therefore the joint committee may wish to keep this area under review.



10. Audited accounts were finalised prior to the target date of 30 September 2010 and are now available for presentation to the joint board and publication.

Legality

11. Through our planned audit work we consider the legality of the joint committee's financial transactions. In addition the Treasurer confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the members and officers of TAYplan, the financial transactions of the joint committee were in accordance with relevant legislation and regulations.
12. There are no additional legality issues arising from our audit which require to be brought to members' attention.

Statement on the system of internal financial control

13. Scottish authorities are required by the local authority SORP to include a statement on the system of internal financial control with their statement of accounts. The 2009/10 financial statements include a Statement on the System of Internal Financial Control which highlights the Treasurer's view that the reasonable assurance can place reliance upon the effectiveness of the TAYplan's financial systems.
14. TAYplan operates the corporate financial systems of Dundee City Council. The statement highlighted that assurance had been taken from the work done by Dundee City Council's internal audit service on these corporate financial systems. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Financial reporting outlook

Financial planning

15. The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. In June 2010 the new UK Government set out an Emergency Budget, planning for a period of significant fiscal consolidation. It immediately implemented £6 billion of UK budget reductions. The Scottish Government agreed that it would defer its share of these 2010/11 cuts (estimated at £332 million) until 2011/12, and will have to implement these alongside continuing reductions in the Scottish budget.
16. There remains uncertainty about what the financial implications for TAYplan will be. The UK Government published its comprehensive spending review on 20 October and the Scottish Government will publish the results of its own review in late November. A key issue will be the extent to which some priority services, particularly health, may be protected from budget reductions. The settlement for local government is not expected to be finally known until January 2011.



17. TAYplan will not be immune from the financial pressures upon its constituent councils. It will need robust information about activity, costs and performance to identify ways of more effectively delivering services with decreasing levels of income. The joint board may wish to consider developing a “recession impact action plan” to help address the future funding difficulties.

Action plan 1



Corporate governance

18. In this section we comment on key aspects of TAYplan's governance arrangements during 2009/10 and provide an outlook on future governance issues.

Overview

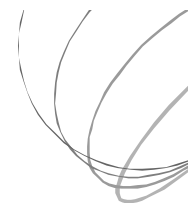
19. Corporate governance is concerned with structures and processes for decision making, accountability, control and behaviours at the upper levels of the organisation. In the Statement on the System of Internal Financial Control, TAYplan reported that it has a "framework of regular management information, financial regulations, administrative procedures (including segregation of duties) management supervision and a system of delegation and accountability."
20. A formal Minute of Agreement is in place with the constituent authorities.

Anti-fraud and corruption arrangements

21. TAYplan uses the arrangements in place at Dundee City Council for the prevention and detection of fraud and corruption which include an anti-fraud and corruption policy and response plan, a whistle blowing policy, malicious allegation policy and codes of conduct for elected members and staff. We noted last year that governance arrangements specific to TAYplan were being developed and these should include anti-fraud and corruption arrangements. We are now advised that the Financial Regulations of Dundee City Council, which cover anti-fraud and corruption arrangements, are viewed as the overarching framework.

Systems of internal control

22. TAYplan uses Dundee City Council's main financial systems for its operations. As external auditors of the council we have reviewed these systems and have been able to take assurance from this work. We were advised that a service level agreement with Dundee City Council to provide the TAYplan's support services would be approved in 2009/2010. We note that following consultation, Dundee City Council's Legal Department has advised that no service level is required as TAYplan is a joint committee and not a separate third party organisation.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	17	Financial planning TAYplan will not be immune from the financial pressures upon its constituent councils. It will need robust information about activity, costs and performance to identify ways of more effectively delivering services with decreasing levels of income. <i>Risk: TAYplan is unable to meet expenditure commitments from available income.</i>	Officers have already reviewed the longer term financial plans . A report will be brought to the Joint Committee once the impact of the Local Government settlement is known.		