

# Edinburgh and South East Scotland Strategic Development Planning Authority

Annual Audit Plan 2018/19

The logo for Audit Scotland, featuring a stylized checkmark icon to the left of the text "AUDIT SCOTLAND".

AUDIT SCOTLAND

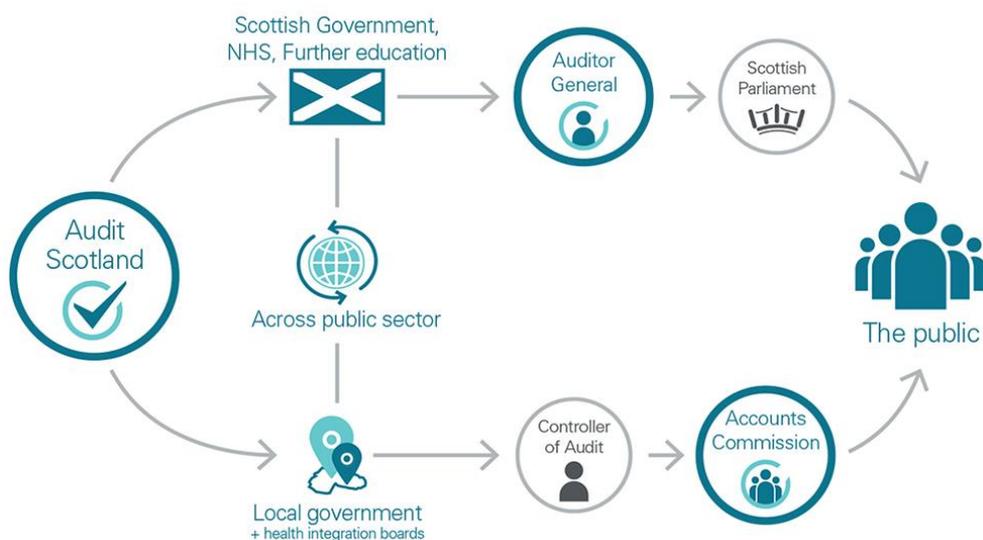
Prepared for Edinburgh and South East Scotland Strategic Development Planning Authority

February 2019

## 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

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](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Adding value

3. We aim to add value to the Edinburgh and South East Scotland Strategic Development Planning Authority (the Authority) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Authority promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

4. Based on our discussions with staff, attendance at committee 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

### 2018/19 Key audit risks

 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements issues and risks</b>		
<p>1 <b>Risk of management override of controls</b></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 to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries.</li> <li>• Review of accounting estimates.</li> <li>• Focused testing of accruals and prepayments.</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> </ul>

 Audit Risk	Source of assurance	Planned audit work
<p><b>2 Risk of fraud over expenditure</b></p> <p>ISA240 includes an assumption of fraud over income. The vast majority of the SESplan's income is from member councils and this specific risk is rebutted. The Code of Audit Practice extends the assumptions within ISA240 to the risk of fraud over expenditure. We noted that as of January 2019 the Authority no longer has a core team of staff to undertake tasks such as authorising expenditure. There is a risk that this responsibility will not be appropriately undertaken thereby increasing the risk of fraud.</p>	<p>SESplan Manager role being done by the Planning Manager from Midlothian Council and other core team functions by finance staff at Fife Council.</p> <p>Budget monitoring by management.</p> <p>Financial regulations in place.</p> <p>Internal controls in financial systems to mitigate risks of error or manipulation.</p>	<ul style="list-style-type: none"> <li>Detailed testing of transactions focusing on the greater areas of risk.</li> </ul>
<hr/> <b>Wider dimension issues and risks</b> <hr/>		
<p><b>3 Redesign of Planning Authorities</b></p> <p>An independent review published in 2016 recommended that Strategic Development Plans should be replaced by an enhanced National Planning Framework.</p> <p>The Planning (Scotland) Bill was presented to Parliament on 4 December 2017 and completed stage 2 on 14 November 2018. The Bill proposes the "<i>removal of requirement to prepare strategic development plans</i>" which is the primary function of the Authority. The future of the organisation is therefore uncertain.</p> <p>During any transition period there is a risk that there is a negative impact on the Authority's governance and performance arrangements. This risk is further compounded by the lack of a core team of staff as highlighted at point 2 and 4.</p>	<p>Regular reports to members on the current position and proposals.</p>	<ul style="list-style-type: none"> <li>Review of reports to members on the current position and proposals regarding the future of the Authority.</li> <li>Review of reports to the Authority to monitor the progress of the changes to the planning framework and the impact on the Authority.</li> </ul>
<p><b>4 Governance Arrangements</b></p> <p>Since January 2019 there has been no dedicated core team at the Authority which could have an adverse impact on the on-going governance arrangements (see also point 3 above)</p>	<p>Regular reports to the joint committee on the current position and proposals.</p>	<ul style="list-style-type: none"> <li>Review reports to the joint committee to monitor the governance arrangements</li> </ul>

## 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 Edinburgh and South East Scotland Strategic Development Planning Authority and Accounts Commission setting out our opinions on the annual accounts. We will provide the Authority and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

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## Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	18 March 2019	25 March 2019
Annual Audit Report including ISA 260 requirements	27 September 2019	November* (tbc)
Signed Independent Auditor's Report	27 September 2019	N/A

Source: Audit Scotland.

\*The Authority's Joint Committee will be asked at its June 2019 meeting to approve delegation of responsibility for signing off the Audited Accounts and Annual Audit Report to the Convener, SDP Manager (or other signatory to the accounts) and Treasurer.

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## Audit fee

**8.** The agreed audit fee for the 2018/19 audit of the Authority is £2,900 (2017/18: £2,810). In determining the audit fee we have taken account of the risk exposure of the Authority and the planned management assurances in place. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 28 June 2019.

**9.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

## Responsibilities

### The Joint Committee and Treasurer

**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 annual accounts does not relieve management or the Joint Committee as those charged with governance, of their responsibilities.

### Appointed auditor

**12.** Our responsibilities as independent auditors are established by the 1973 Act for local government and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**13.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. 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

## Annual accounts

**14.** The annual accounts, which include the financial statements, will be the foundation and source for most 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 AuthorityEdinburgh and South East Scotland Strategic Development Planning 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 AuthorityEdinburgh and South East Scotland Strategic Development Planning 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 whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the Authority as at 31 March 2019 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the 2018/19 Code of practice on local authority accounting in the UK
- 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.

## Other information in the annual accounts

**16.** We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**17.** We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Materiality

18. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

19. 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	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 for the year ended 31 March 2019 based on the budget for 2018/19.	£1,036
<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 75% of planning materiality.	£777
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality (rounded).	£50

Source: Audit Scotland

## Timetable

20. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

### Exhibit 4 Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	June 2019 (tbc)
Latest submission date of unaudited annual accounts with complete working papers package	28 June 2019
Latest date for final clearance meeting with Treasurer	31 August 2019
Agreement of audited unsigned annual accounts; Issue of draft Annual Audit Report including ISA 260 requirements, draft letter of representation and proposed independent auditor's report	20 September 2019
Independent auditor's report signed	27 September 2019

## Internal audit

**21.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal Audit is provided by Fife Council's Audit and Risk Management Services (ARMS). We seek to rely on the work of internal audit wherever possible to avoid duplication, however there are no planned internal audit reviews for SESplan this year.

## Audit dimensions

**22.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

**23.** The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statements and the financial sustainability of the body and its services. In light of the small volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2018/19 audit of the Authority.

## Financial sustainability

**24.** 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 Authority'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

**25.** 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

**26.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. 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 robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

**27.** The engagement lead for the Authority is Pearl Tate, 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 the Authority.

## Quality control

**28.** 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.

**29.** 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 (and supporting guidance) 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 and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**30.** 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.

# Edinburgh and South East Scotland Strategic Development Planning Authority

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### Annual Audit Plan 2018/19

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