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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<td></td>
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</tbody>
</table>
Key messages

2018/19 annual accounts

1. The Authority’s financial statements give a true and fair view of its financial position for the year ended 31 March 2019.

2. The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

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. Budgeted expenditure and reserves levels are being wound down in preparation for the abolition of SDPAs.

5. Budget monitoring reports are not presented to the Joint Committee until the year end.

Governance and transparency

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

7. The Authority demonstrates a commitment to transparency in the way it conducts its business.
Introduction

1. This report summarises the findings arising from the 2018/19 audit of Dundee, Perth, Angus & North Fife Strategic Development Planning Authority (the Authority).

2. The scope of the audit was set out in our 2018/19 Annual Audit Plan presented to the January 2019 meeting of the Joint Committee. This report comprises the findings from:
   - an audit of the annual accounts
   - consideration of the financial sustainability and the governance & 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 as illustrated in Exhibit 1.

Exhibit 1
Audit dimensions

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 2018/19 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 2018/19 audit of the Authority.
**Added value through the audit**

6. We add value to the Authority through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports (*Appendix 3*) and good practice guides
- Providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance arrangements and financial sustainability.

7. In so doing, we aim to help the Authority promote improved standards of governance, better management and decision making and more effective use of resources.

**Responsibilities and reporting**

8. 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.

9. 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.

10. 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.

11. As public sector auditors we give independent opinions on the annual accounts. Additionally, for the Authority we conclude on:

- the suitability and effectiveness of corporate governance arrangements, and
- the arrangements for securing financial sustainability.

12. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.

13. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. 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.

14. 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 the steps being taken to implement them.

15. We can confirm that we comply with the Financial Reporting Authority's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2018/19 audit fee of £2,900 as set out in our Annual Audit Plan,
remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

16. This report is addressed to both the Authority and the Controller of Audit and will be published on Audit Scotland’s website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

17. We would like to thank all management and staff for their cooperation and assistance during the audit.
Part 1
Audit of 2018/19 annual accounts

Main judgements

The Authority’s financial statements give a true and fair view of its financial position for the year ended 31 March 2019.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The Authority’s annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Audit opinions on the annual accounts

18. The annual accounts for the Authority for the year ended 31 March 2019 were approved by the Joint Committee on 25 September 2019. We reported, within the independent auditor’s report that;

- the financial statements give a true and fair view of its financial position for the year ended 31 March 2019
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

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

Submission of the annual report and accounts for audit

20. We received the unaudited annual accounts on 25 June 2019, in line with the audit timetable set out in our 2018/19 Annual Audit Plan.

21. 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.

Risk of material misstatement

22. Appendix 2 provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

23. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.
Materiality

24. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

25. We carried out our initial assessment of materiality for the annual 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

<table>
<thead>
<tr>
<th>Materiality level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall materiality - this is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 2% of gross expenditure for the year ended 31 March 2019.</td>
<td>£4,640</td>
</tr>
<tr>
<td>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 75% of planning materiality.</td>
<td>£3,840</td>
</tr>
<tr>
<td>Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements more than the ‘reporting threshold’ amount.</td>
<td>£1,000</td>
</tr>
</tbody>
</table>

Source: Audit Scotland

How we evaluate misstatements

26. All misstatements identified during the audit, which exceeded our reporting threshold, have been amended in the financial statements.

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

Significant findings from the audit in accordance with ISA 260

28. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the Authority’s accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

29. The qualitative aspects of the Authority’s accounting practices, accounting policies, accounting estimates and financial statements disclosures are satisfactory and appropriate to the Authority.

30. The significant findings are summarised in Exhibit 3.
Exhibit 3
Significant findings from the audit of the financial statements

<table>
<thead>
<tr>
<th>Issue</th>
<th>Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Comprehensive Income and Expenditure Statement (CIES) – support costs</td>
<td>The Authority has chosen not to amend the audited accounts for this matter. Officers consider the sum to be reasonable but have agreed to review the estimate for 2019/20.</td>
</tr>
<tr>
<td></td>
<td>Recommendation 1 (refer appendix 1, action plan)</td>
</tr>
</tbody>
</table>

Source: Dundee, Perth, Angus & North Fife Strategic Development Planning Authority Annual Accounts 2018/19

Follow up of prior year recommendations

31. The Authority made good progress in implementing our prior year audit recommendations, with both of the agreed actions completed. Details are set out in Appendix 1.

Objections

32. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority 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. The Authority complied with the regulations. There were no objections to the accounts.
Financial sustainability looks forward to the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

**Financial performance in 2018/19**

33. The Joint Committee approved its 2018/19 budget on 22 January 2018. The budget was set at £0.262 million to be met from constituent authorities’ requisitions of £0.18 million, £0.004 million of operating income and £0.078 million from reserves. This was a decrease of £0.083 million (24.1%) on the approved 2017/18 revenue budget.

34. The financial performance of the Authority during 2018/19 resulted in an underspend against budget of £0.28 million.

35. As noted above, the Authority had budgeted to use £0.078 million of its general reserve in 2018/19 but the £0.28 million underspend enabled the Authority to reduce its usage of reserves in 2018/19 to £0.050 million. This resulted in a general reserve balance as at 31 March 2019 of £0.097 million.

**Financial planning**

36. Although members only approve the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures on the Authority. The Authority produced a three-year revenue budget which was approved by the Joint Committee in January 2018.

37. A budget update and two-year projection was approved by the Joint Committee in March 2019. The report set out the proposed two-year budgets for 2019/20 and 2020/21 at £0.032 million and £0.033 million respectively, with reserves falling to £0.034 million by 31 March 2021. This reflects the wind down of the SDPA under the Planning (Scotland) Act 2019.
Reserves

38. One of the key measures of the financial health of an Authority is the level of usable reserves held. Usable reserves are used to fund the delivery of services and provide a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows. The level of usable reserves held by the Authority as at 31 March 2019 was £0.097 million (31 March 2018 £0.147 million).

39. The Authority reviews the level of its uncommitted reserves when setting the budget each year. The Authority’s approved reserves strategy specifies that the minimum uncommitted reserves should be £0.025 million. The level of uncommitted general fund reserves as at 31 March 2019 is in line with the approved strategy. Budgeted expenditure and reserves levels are being wound down over the next two years in preparation for the abolition of SDPAs.

40. We have concluded that the Authority’s financial position is sustainable in the short–medium term.

Budget monitoring

41. Budget monitoring reports are sent to the Acting SDPA Manager on a six monthly basis. These provide information on the projected outturn against budget. A report Budget Update and Two-Year Projection was considered by the Joint Committee at its meeting on 27 March 2019 which included a projection of the 2018/19 revenue outturn, however this was the only budget monitoring report for 2018/19 that was presented to the Joint Committee. There was therefore no opportunity for members to scrutinise revenue budget information until the year end.

Recommendation 2

Budget monitoring reports should be presented more regularly to the Joint Committee for scrutiny during the year.
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.

**Annual Governance Statement**

42. Our review of the annual governance statement assessed the assurances which are provided to the acting SDPA Manager regarding the adequacy and effectiveness of the Authority’s system of internal control which operated in the financial year.

43. 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.

44. The statement summarises internal audit findings that “it is considered reasonable to conclude that the operational governance, risk management and control framework in place for the Authority is that of Dundee City Council’s”. The Senior Manager – Internal Audit concluded 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 2019”. This concurs with our view from the work we have carried out in 2018/19.

45. We concluded that the information in the annual governance statement is consistent with the financial statements and complies with applicable guidance.

**Governance arrangements**

46. Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

47. 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.

48. Based on our observations and audit work performed during 2018/19, we have concluded that the Authority has effective overarching and supporting governance.
arrangements which provide an appropriate framework for organisational decision-making.

**Openness and transparency**

49. Openness and 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.

50. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny.

51. There is evidence which demonstrates the Authority’s commitment to openness and transparency. Members of the public can attend meetings of the Joint Committee. Minutes of the 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.

52. We have concluded that the Authority conducts its business in an open and transparent manner.

**Internal audit**

53. The Authority’s internal audit function is carried out by Dundee City Council’s internal audit service. Each year we consider whether we can rely on internal audit work to avoid duplication of effort. When we plan to place reliance on internal audit work we carry out an assessment of the internal audit function to ensure that it is sufficient in terms of documentation standards, reporting procedures and quality, and is performed in accordance with Public Sector Internal Audit Standards (PSIAS).

54. We reviewed the Authority’s internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. Overall, we concluded that the internal audit service generally operates in accordance with PSIAS and has sound documentation standards and reporting practices in place.

55. We did not place reliance on the work of internal audit for our financial statements responsibilities, however we considered the work of internal audit for our review of the annual governance statement.

**Standards of conduct for prevention and detection of fraud and error**

56. 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.

57. 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**

58. The Planning (Scotland) Act 2019 was passed in June 2019. The Act sets out the reforms to the Scottish planning system, including the system of development planning.

59. The Act provides for the abolition of Strategic Planning Authorities and the removal of Strategic Development Plans from the Statutory Development Plan. The
Strategic Development Plans will be replaced by Regional Spatial Strategies which will feed into a revised National Planning Framework and which will become part of the Statutory Development Plan.

60. There remains significant uncertainty around the form and content of Regional Spatial Strategies as well as how they will fit in with the work and governance of the Tay Cities Deal. Officers from the local authorities in Tayside and Fife the TAYplan met in August 2019 to discuss a way forward and agreed that they will continue to work together to input into the fourth National Planning Framework and work on an emerging Regional Spatial Strategy.

61. Further consideration of the implications for strategic planning across the local authorities and detailed options for how to take strategic planning forward will be explored. We will monitor developments in this area.
## Appendix 1

### Action plan 2018/19

<table>
<thead>
<tr>
<th>No.</th>
<th>Issue/risk</th>
<th>Recommendation</th>
<th>Agreed management action/timing</th>
</tr>
</thead>
</table>
| 1   | CIES - Support Costs                | The Authority should ensure that the estimation of support costs is reviewed for the 2019/20 annual accounts. Paragraph 30 | Action: There will be review of the basis of calculation for the support costs in 2019/20.  
Responsible officer: Treasurer.  
Agreed date: June 2020. |
|     |                                     | Risk: Support costs may be mis-stated within the financial statements.          |                                                                       |
| 2   | Budget monitoring                   | Budget monitoring reports should be presented more regularly to the Joint Committee for scrutiny during the year. Paragraph 41 | Action: Budget monitoring statement will be presented more regularly to the Joint Committee for scrutiny during the year.  
Responsible officer: Treasurer.  
Agreed date: June 2020. |
|     |                                     | Risk: Members will not be able to scrutinise revenue expenditure timeously and any overspend may not become evident until the year end. |                                                                       |
|     |                                     | Follow up of prior year recommendations                                           |                                                                       |

### PY1 Public Notice of Accounts

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.

Risk
<table>
<thead>
<tr>
<th>No.</th>
<th>Issue/risk</th>
<th>Recommendation</th>
<th>Agreed management action/timing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Authority may be open to legal challenge if it does not comply with regulations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PY2</td>
<td>Late signing of the annual accounts</td>
<td>The Authority should ensure that appropriate arrangements are in place for signing the audited annual accounts in accordance with the regulations.</td>
<td>Updated response: Action closed – 2018/19 annual accounts signed off in line with agreed timetable.</td>
</tr>
<tr>
<td></td>
<td>The audited annual accounts were not physically signed by the Authority until October 2018 due to the unavailability of some signatories. This is after the date set out in the Local Authority Accounts (Scotland) Regulations 2014.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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 accounts and those relating our wider responsibility under the Code of Audit Practice 2016.

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Assurance procedure</th>
<th>Results and conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risks of material misstatement in the financial statements</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **1 Risk of management override of controls** | - Detailed testing of journal entries.  
- Review of accounting estimates.  
- Focused testing of accruals and prepayments.  
- Evaluation of significant transactions that are outside the normal course of business. | - No instances of management override of controls were identified.  
- All journals and significant transactions tested (including accruals) were found to be appropriate.  
- Sources of accounting estimates were reviewed and found to be without management bias.  
- We reviewed transactions for the year. No significant transactions were identified that are outside the normal course of the Authority’s business. |
| **2 Risk of fraud over expenditure** | - Assessment of adequacy of key financial controls over expenditure.  
- Detailed testing of transactions focusing on the greater areas of risk. | - 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.  
- Testing of 2018/19 expenditure transactions identified no errors or instances of fraud. |
| **Risks identified from the auditor’s wider responsibility under the Code of Audit Practice** | | |
| **3 Compliance with the Local Authority Accounts (Scotland) Regulations 2014** | - Review of public notice to ensure the statutory deadline is met.  
- Agreement of timetable for signing of annual accounts. | - Public notice published in line with statutory requirements.  
- Annual accounts signed off in line with agreed timetable. |
### Significant audit risks identified during planning

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Assurance procedure</th>
<th>Results and conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>due to the unavailability of some signatories. This is after the date set out in the statutory regulations.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Authority must also give public notice of the right of interested persons to inspect and object to its accounts no later than 17 June immediately following the financial year to which the accounts relate. The notice was uploaded to the Authority’s website on 21 June 2017, 3 days after the latest date allowable under the statutory regulations.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 4 Redesign of Planning Authorities

An independent review published in 2016 recommended that Strategic Development Plans should be replaced by an enhanced National Planning Framework.

The Planning (Scotland) Bill was presented to Parliament on 4 December 2017 and completed stage 2 of the legislative process on 14 November 2018. If approved, the Bill should clarify the role of planning authorities in the future.

During any transition period there is a risk that there is a negative impact on the authority’s governance and performance arrangements.

- Review reports to the authority to monitor the progress of the changes to the planning framework and the impact on the authority.
- The Planning (Scotland) Act 2019 was passed in June 2019.
### Appendix 3
Summary of national performance reports 2018/19

<table>
<thead>
<tr>
<th>2018/19 Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local government in Scotland: Challenges and performance 2018</td>
</tr>
<tr>
<td>Councils’ use of arm’s-length organisations</td>
</tr>
<tr>
<td>Scotland’s colleges 2018</td>
</tr>
<tr>
<td>Jul</td>
</tr>
<tr>
<td>Forth Replacement Crossing</td>
</tr>
<tr>
<td>Children and young people’s mental health</td>
</tr>
<tr>
<td>NHS in Scotland 2018</td>
</tr>
<tr>
<td>Dec</td>
</tr>
<tr>
<td>Jan</td>
</tr>
<tr>
<td>Feb</td>
</tr>
<tr>
<td>Mar</td>
</tr>
</tbody>
</table>

**Reports relevant to the Authority**

- *Local government in Scotland: Challenges and performance 2018* – April 2018
- *Local government in Scotland: Financial overview 2017/18* – November 2018