

Aberdeen City and Shire Strategic Development Planning Authority

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for Aberdeen City and Shire Strategic Development Planning Authority

31 March 2020

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 which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit.
2. Planned audit work should be risk based and proportionate to the nature and size of an audited body. Where the application of the full wider scope is judged by auditors not to be appropriate, Supplementary Guidance for appointed auditors offers a small body clause which allows narrower scope work to be carried out. Having considered the size and functions of Aberdeen City and Shire Strategic Development Planning Authority (the Authority), in our judgement the small body clause applies.
3. This plan therefore identifies our audit work to provide an opinion on the financial statements and related matters and as a small audited body, wider scope requirements will be restricted to assessments and conclusions on financial sustainability, and governance and transparency.


Adding value


4. We aim to add value to the Aberdeen City and Shire Strategic Development Planning 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 Aberdeen City and Shire Strategic Development Planning Authority promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

5. Based on our discussions with staff, attendance at authority meetings and a review of supporting information, [Exhibit 1](#) sets out the main risk areas for the authority which require specific audit testing. Findings from our planned audit work will assist us in reaching conclusions on this risk area.

Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Source of assurance	Planned audit work
Financial statements risks		
<p>1 Management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls</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"> • Detailed testing of journal entries • Focused testing of accruals and prepayments • Evaluation of significant transactions that are outside the normal course of business.

 Audit Risk	Source of assurance	Planned audit work
that results in fraudulent financial statements.		
<p>2 Miscoding of transactions</p> <p>The authority's transactions are recorded through Aberdeenshire Council's ledger as the partner which provides the authority's financial services. If robust or adequate processes are not in place, there is a risk that expenditure may be inaccurate or miscoded and the authority's accounts are misstated.</p>	<ul style="list-style-type: none"> Invoices from Scottish Government for examination of the Strategic Development Plan (key expenditure item in 2019/20) Regular/robust budget monitoring. 	<ul style="list-style-type: none"> Confirm expenditure items were correctly authorised and appropriate for the authority Agree a judgemental sample of expenditure/journals to supporting documentation.
Source: Audit Scotland		

Reporting arrangements

6. 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.

7. 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.

8. We will provide an independent auditor's report to the authority and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2019/20 Audit outputs

Audit Output	Target date	Committee Date
Independent Auditor's Report (IAR)	The IAR is scheduled to be signed on 24 September 2020.	The audited accounts are scheduled to be approved by the authority on 23 September 2020.
Annual Audit Report	16 September 2020	23 September 2020

Source: Audit Scotland

Audit fee

9. The agreed audit fee for the 2019/20 audit of the authority is £2,960 (2018/19 £2,900). In determining the audit fee, we have taken account of the risk exposure of the authority, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts with a complete working papers package by 30 June 2020.

10. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Authority and Treasurer

11. 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.

12. The audit of the annual accounts does not relieve management or the Authority as those charged with governance, of their responsibilities.

13. The Local Authority Accounts (Scotland) Regulations 2014 requires the authority to scrutinise and approve the accounts in a two stage process:

- by 31 August, the authority should consider the unaudited accounts
- no later than 30 September, the authority should aim to consider the audited accounts and approve them for signature. Regulations require signature by the authority's Chair, Accountable Officer and Treasurer.

Appointed auditor

14. Our responsibilities, as independent auditor, are established by the Local Government (Scotland) Act 1973, and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

15. 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

Financial Statements

16. 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 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 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.

17. We will give an opinion on whether the financial statements

- give a true and fair view of the state of affairs of the authority as at March 2020 and of the income and expenditure for the year then ended; 31
- have been properly prepared in accordance with the financial reporting framework.

Statutory other information in the financial statements

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

19. We also review the content of the annual report for consistency with the financial statements and with our knowledge. We report any uncorrected material misstatements in statutory other information.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

20. 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. We calculate materiality at different levels as set out in [Exhibit 3](#).

Exhibit 3 Materiality values



Materiality	Amount
Planning materiality – This is the figure we calculate to assess 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 2020 based on the latest audited accounts.	£2,900
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.	£2,175
Reporting threshold (i.e., clearly trivial) – 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.	£145

Source: Audit Scotland

Timetable

21. 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 report and accounts by those charged with governance	26 June 2020
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2020
Latest date for final clearance meeting with Treasurer	4 September 2020
Agreement of audited unsigned annual report and accounts	11 September 2020
Issue of Annual Audit Report to those charged with governance	16 September 2020
Independent auditor's report signed	24 September 2020

Internal audit

22. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by David Hughes, Chief Internal Auditor at Aberdeenshire Council.

Adequacy of Internal Audit

23. We are also the auditors for Aberdeenshire Council and consequently, we have taken assurance from our review of internal audit carried out in connection with our audit of the council. We concluded that the internal audit function complies with the relevant Public Sector Internal Audit Standards which enables us to take assurance from their documentation and reporting procedures.

Areas of reliance

24. Based on his evaluation of the council's control environment, internal audit provides an annual assurance statement to the Strategic Development Planning Authority covering its use of council systems. This statement is intended to provide reasonable assurance on the adequacy and effectiveness of the internal control system and to assist the authority in preparing its Annual Governance Statement. We review internal audit's assurance statement as part of our planned audit work on the Annual Governance Statement.

Audit dimensions

25. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

26. As stated in paragraph 2 and 3, in our opinion the full application of the wider scope is not appropriate for the authority. The planning authority has forecast expenditure of approximately £140,000 mainly comprising salaries, and additional costs relating to the Scottish Government's examination of the Proposed Strategic Development Plan. Transactions are generally routine and funding is requisitioned from partner local authorities. We therefore concluded that the small body clause is appropriate.

27. In accordance with the minimum requirements set out in the Code, the annual audit will restrict wider dimension work by only considering the authority's financial sustainability and its governance and transparency arrangements as described further in paragraphs 28 and 29.

Financial sustainability

28. As auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability.

29. The Planning (Scotland) Act 2019 received Royal assent in July 2019. While the statutory function to produce a Strategic Development Plan has been replaced by Regional Spatial Strategies, the status of the authority has not been affected by the changes introduced by the Act.

30. The Scottish Government is currently in the process of considering the authority's Proposed Strategic Development Plan 2018 for approval. The 2018 Plan will however cease to have effect when the new National Planning Framework, part of the Development Plan hierarchy, is approved by the Scottish Parliament in 2021 (planned timetable). Thereafter, a strategic planning function may provide a useful role in supporting councils to produce the Regional Spatial Strategy. While it may be appropriate for the authority's board to continue to meet when necessary, with the change in statutory responsibilities, authority running costs are likely to reduce. Enquiries should therefore be undertaken to determine if there is an ongoing statutory requirement for the authority to set a budget and produce annual accounts. It may be that the partners will be permitted to absorb future running costs if such expenditure is below an acceptable threshold.

31. We will carry out work and conclude on the:

- use of the going concern basis of accounting in light of the authority's changing statutory responsibilities
- effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term.

Governance and transparency

32. 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
- there is effective scrutiny, challenge and transparency on decision-making and finance and performance reports
- there is quality and timely financial and performance reporting
- there are robust arrangements in place to support the annual governance statement.

Independence and objectivity

33. Auditors appointed by the Accounts Commission 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.

34. The engagement lead (i.e. appointed auditor) for the Authority is Anne MacDonald, 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 Aberdeen City and Shire Strategic Development Planning Authority.

Quality control

35. 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.

36. 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 Accounts Commission. 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.

37. 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.

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