

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

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

September 2009



 **AUDIT SCOTLAND**



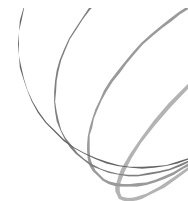
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Key Messages

Dundee, Perth, Angus and North Fife Strategic Development Planning Authority Joint Committee (referred to as TAYplan) was established through the Town and Country Planning Authority Designation (No 3) (Scotland) Order 2008. The order established four Strategic Planning Authorities to prepare and keep under review a strategic development plan for their areas. TAYplan was formally constituted on 25th June 2008.

This report summarises the findings from the 2008/09 audit of TAYplan. We have audited the financial statements and looked at aspects of performance management and governance arrangements that have been developed over the initial period of the organisation existence. This report sets out our main findings from the 2008/09 audit and the outlook for the period ahead.

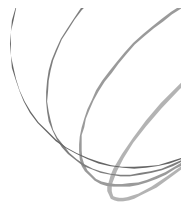
Key outcomes from 2008/09 audit

We have given an **unqualified** opinion on the financial statements of TAYplan

Outlook for future audits

As a relatively new body TAYplan is developing a range of governance processes and policies and we will continue to monitor and review these.

**Audit Scotland
September 2009**



Introduction

1. 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.

2. This report summarises the most significant issues arising from our work during 2008/09.



Financial statements

3. In this section we summarise key outcomes from our audit of TAYplan's financial statements for 2008/09, aspects of TAYplan's reported financial position and performance to 31 March 2009, and provide an outlook on future financial reporting issues.

Auditor's report

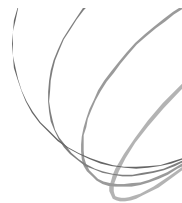
4. We have given an unqualified opinion on the financial statements of TAYplan for 2008/09, concluding that the financial statements:
 - show a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, the financial position of TAYplan as at 31 March 2009 and its income and expenditure for the period then ended; and
 - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Financial position

5. TAYplan's Income and Expenditure account shows a net surplus of £146,000 for the period compared to a budgeted surplus of £65,000. This is largely due to initial delays in appointing staff and securing accommodation. The balance has been transferred to the general fund.

Issues arising

6. 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.
7. 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'). No major changes were introduced by the 2008 SORP. Overall, we were satisfied that the TAYplan had prepared the accounts in accordance with the revised SORP.
8. 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.

9. Audited accounts were finalised prior to the target date of 30 September 2009 and are now available for presentation to the Joint Committee and for publication. The financial statements are an essential means by which TAYplan accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.
10. As the lead authority, Dundee City Council has taken responsibility for reclaiming VAT on behalf of TAYplan. We noted that TAYplan had not formally joined Dundee City Council's VAT group and no formal request had been made to Her Majesty's Revenue and Customs (HMRC) to approve this arrangement. There is a potential risk therefore that TAYplan is in breach of HMRC regulations.

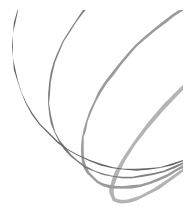
Key risk area 1

Legality

11. Each year we request written confirmation from the Treasurer that TAYplan's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes and checklists. The Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of members and officials of TAYplan, the financial transactions of TAYplan were in accordance with the relevant legislation and regulations governing its activities.
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 (SSIFC)

13. Scottish authorities are required by the local authority SORP to include a statement of internal financial control with their statement of account. The 2008/09 financial statements include a Statement on the System of Internal Financial Control which highlights the Treasurer's view that reasonable assurance can be placed upon the adequacy and effectiveness of TAYplan's internal financial control system.
14. TAYplan operates the corporate financial systems of Dundee City Council. We understand that a service level agreement for this arrangement will be approved in 2009/2010. The statement highlighted that assurance had been taken from the work done by Dundee City Council's internal audit service on their corporate financial systems and also work done by the council's external auditors.



15. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

16. The SORP states that authorities *may choose* to include a wider statement of internal control in place of a statement of internal financial control. The CIPFA framework document *Delivering good governance in local government* recommends that the review of the effectiveness of the system of internal control should be reported in an annual governance statement. LAAP bulletin 71 *The Annual Governance Statement* clarifies that authorities are encouraged (but not required) to include an annual governance statement with their accounts. TAYplan may wish to consider moving to an Annual Governance Statement in future years to reflect best practice.



Corporate governance

17. In this section we comment on key aspects of TAYplan's governance arrangements during 2008/09 and provide an outlook on future governance issues.

Overview

18. 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." .
19. A formal Minute of Agreement is in place with the constituent authorities. During 2008/09 Tayplan developed standing orders and financial regulations. It makes use of PRINCE2, a project management tool which includes a risk log. We have been advised, however, that the risk log is not up to date.

Anti-fraud and corruption arrangements

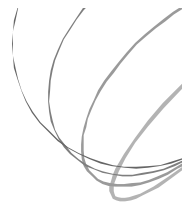
20. TAYplan uses the arrangements in place at Dundee City Council for the prevention and detection of fraud and corruption which include an anti-fraud and corruption policy and response plan, a whistle blowing policy, malicious allegation policy and codes of conduct for elected members and staff. From discussions with officers, we understand that governance arrangements specific to TAYplan are being developed and these should include anti-fraud and corruption arrangements. We will continue to monitor and review governance arrangements during 2009/10.

Systems of internal control

21. 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 have been advised that a service level agreement with Dundee City Council to provide the TAYplan's support services will be approved in 2009/2010.

Governance Outlook

22. As a relatively new body the TAYplan is continuing to develop governance processes and we will continue to monitor and review these during 2009/10.



Performance

Introduction

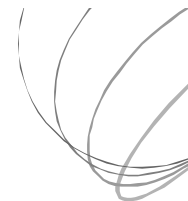
23. In this section we comment on key aspects of performance during 2008/09 and provide an outlook on future performance.

Overview of performance in 2008/09

24. The delivery of high quality and cost effective public services is a cornerstone of current government policy. Performance management and improvement involves raising the standards and quality of performance, achieving greater efficiency in the use of public funds and becoming more responsive to the needs and aspirations of both individual service users and the communities served. Performance management systems will need to be robust to handle changing requirements and are critical to the complex environment within which TAYplan operates.
25. In its first year of operation TAYplan's main focus was establishing the Joint Committee and developing a project plan covering all key aspects of the strategic planning development cycle. At this early stage there were no performance measurement and reporting processes in place. Since the year end we noted that customer service standards have been developed and further performance measures will be put in place during 2009/10.

Performance outlook

26. TAYplan's performance framework is at an early stage and we will consider the effectiveness of measures being adopted as part of our 2009/10 audit



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	10	<p>As the lead authority, Dundee City Council has taken responsibility for reclaiming VAT on behalf of TAYplan. We noted that TAYplan had not formally joined Dundee City Council's VAT group and no formal request had been made to Her Majesty's Revenue and Customs (HMRC) to approve this arrangement</p> <p><i>Risk: the Joint Committee is in breach of HMRC rules</i></p>	Dundee City Council to write to HMRC and formally request Tayplan join Dundee City Council's VAT group.	Principal Accountant	25/9/09