



Dundee, Perth, Angus and North Fife Strategic Development Planning Authority (TAYplan) Annual report on the 2010/11 audit



Prepared for Members of TAYplan and the Controller of Audit
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key messages

2010/11

In 2010/11 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 stewardship of TAYplan during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- an unqualified audit opinion has been issued on the financial statements for 2010/11
- the statement on the system of internal financial control included in the accounts complies with accounting requirements and is not inconsistent with our audit findings
- final accounts preparation procedure and working papers were good and this enabled the audit to progress smoothly
- many aspects of a sound corporate governance framework are in place

TAYplan operated the corporate financial systems of Dundee City Council. As external auditor of the council we were able to take assurance from our work on these systems.

Outlook

Like most local authorities TAYplan will feel the impact of public sector cuts both through its own budget and through their impact on spending decisions affecting the progress of the area plan. The challenge will be to ensure that the plan is delivered with minimum adverse impact from the recession.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of the Dundee, Perth, Angus and North Fife Strategic Development Planning Authority Joint Committee (TAYplan) and summarises the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The scope, nature and extent of the audit are set out in our Annual Audit Plan submitted to the joint committee in April 2011.
2. Appendix A is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that TAYplan understands its risks and has arrangements in place to manage these risks. Members of the joint committee should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
3. This report is addressed to members and the Controller of Audit and will be published on our website after consideration by the joint committee.
4. The management and officers of the authority 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
 - the authority'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
 - the authority has adequate governance arrangements in place 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 misstatement, error, fraud or corruption
5. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from responsibility to address the issues raised and to maintain an adequate system of control.
6. The co-operation and assistance given to us by TAYplan and Dundee City Council members, officers and staff is gratefully acknowledged.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including foreword, list of members and officials, treasurer's report, statement on internal control or statement on internal financial control and the remuneration report. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion on the financial statements of the Dundee, Perth, Angus and North Fife Strategic Development Planning Authority (TAYplan) for 2010/11. Concluding that the financial statements:
 - give a true and fair view, in accordance with applicable law and the 2010/11 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), of the state of affairs of the authority as at 31 March 2011 and of the income and expenditure of the authority for the year then ended
 - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code, and
 - have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

11. We have also stated that in our opinion:
 - the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
 - the information given in the Foreword, list of Members and Officials and Treasurer's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Legality

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

Statement on the system of internal financial control

13. Scottish local authorities are required by the 2010/11 Code to include a Statement on the System of Internal Financial Control with their financial statements. The 2010/11 financial statements include a Statement on the System of Internal Financial Control which highlights the view of the Treasurer and the SDPA Manager that reasonable assurance can be placed on the adequacy and effectiveness of the authority's financial systems.
14. We were satisfied with the disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place by the authority to obtain assurances on the systems of internal financial control.
15. The authority's corporate financial systems are provided by Dundee City Council under a service level agreement. The statement highlights that assurance was taken from the work done by Dundee City Council's internal audit service on these systems. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Accounting issues

16. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code') which constitutes proper accounting practice for the purposes of section 12 of the Local Government Scotland Act 2003.
17. The 2010 Code required local authorities to prepare their financial statements under International Financial Reporting Standards ('IFRS'). This has resulted in some significant changes to the presentation of the financial statements.
18. A further change was introduced by the Local Authority Accounts (Scotland) Amendment Regulations 2011 which introduced the requirement for a remuneration report to be included in the financial statements from 2010/11 onwards.

Accounts submission

19. The authority's unaudited financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparations and working papers were generally good and this enabled the audit to progress smoothly.

20. The accounts were certified on 30 September 2011, meeting the target date of 30 September and are now available and are now available for presentation to the joint committee and publication.

Prior year adjustments

21. 2010/11 is the first year that the local authority accounting Code has been based on international financial reporting standards (IFRS). The move to an IFRS based Code from a UK GAAP based SORP has resulted in a number of changes in accounting practice which, in turn, have resulted in the restatement of prior year balances. We have reviewed the board's arrangements for restating the prior year balances and found them to be satisfactory.

Audit appointment for 2011/12

22. Audit appointments are made by the Auditor General or the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) the auditor for TAYplan will be KPMG LLP. As this is the last year of our audit appointment, we would like to acknowledge the good working relationship that existed during our current appointment term with TAYplan and thank officers and members of the authority and Dundee City Council for their assistance during the last five years. We will be meeting with the incoming external auditors, KPMG LLP, as part of a managed changeover process.

Financial position

23. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
24. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
25. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

26. The authority's financial statements show a surplus of £42,000 on the provision of services for 2011/12 against a budgeted deficit of £46,000. The surplus arises due to underspends on staffing (£17,000), property costs (£1,000), supplies and services (£24,000) and third party payments (£30,000). The authority also received additional income as contributions to work done and the printing of leaflets (£13,000).

Outlook

2011/12 budget

27. The authority, like all public sector organisations, faces a very challenging financial climate with constraints on expenditure likely to increase significantly as the Government seeks to reduce its debt burden. This will impact not only on the authority's expenditure but that of the partner authorities and TAYplan will need to monitor the impact on the progress of the Strategic Development Plan for the area.

Governance and accountability

28. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
29. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
30. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption.
31. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

32. The joint committee meets twice each year to consider reports and issues such as budget approval, budgetary control and performance. The joint committee's membership consists of councillors drawn from the partner authorities and meetings are generally well attended.
33. The joint committee does not have an audit committee due to its size. All reports are considered by the full committee as appropriate.
34. Local authorities are increasingly using electronic media to communicate with stakeholders and service users. The internet provides a fast and low cost means of disseminating information to a broad range of service users and stakeholders. The authority uses its website to publish reports and minutes of meetings. However, using the website as a means of publishing notices of meetings, agendas and reports in advance of those meetings would improve openness and accountability and enhance engagement with service users and stakeholders.

Refer Action Plan No. 1

Internal control

35. TAYplan uses the corporate financial systems of Dundee City Council for its operations. As external auditors of the council we have reviewed these systems and have been able to take assurance from this work.

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	34	<p>Processes and committees</p> <p>Using the website as a means of publishing notices of meetings, agendas and reports in advance of those meetings would improve openness and accountability and enhance engagement with service users and stakeholders.</p> <p><i>Risk. The authority may be perceived as lacking openness and accountability in its decision making processes and fail to engage fully with stakeholders and service users.</i></p>	<p>Notice of the meeting and Agendas will be published on the TAYplan website in advance of all Joint Committee meetings alongside the reports</p>	TAYplan SDPA Manager	Immediate