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

Annual audit report to the members of TAYplan  
and the Controller of Audit

Audit: Year ended 31 March 2012

28 September 2012



## Contents

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**About this report**

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Dundee, Perth, Angus and North Fife Strategic Development Authority ("TAYplan") and is made available to Audit Scotland and the Accounts Commission for Scotland (together "the beneficiaries"). It has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

We also draw your attention to the following:

- the Treasurer of Dundee, Perth, Angus and North Fife Strategic Development Authority is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems;
- weaknesses or risks identified by us are only those which have come to our attention during our normal audit work in accordance with Audit Scotland's Code of Audit Practice, and may not be all that exist; and
- communication by us of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve Dundee, Perth, Angus and North Fife Strategic Development Authority management from its responsibility to address the issues raised and to maintain an adequate system of control.



## Executive summary Headlines

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice*. This specifies a number of objectives for our audit.

We set out in our audit strategy document to you our approach to the audit of TAYplan for 2011-12.

In accordance with ISA (UK and Ireland) 260: *Communication with those charged with governance*, this report summarises our work in relation to the financial statements.

We wish to record our appreciation of the co-operation and assistance extended to us by staff during the course of our work.

### Financial statements

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 ("the Code") did not include any major amendments which impacted on TAYplan's financial statements.

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All accounting policies have been applied consistently.

We have issued an unqualified opinion on the financial statements for 2011-12.

Good quality financial statements were prepared for audit. There are no unadjusted audit differences to report.

### Use of resources

The net deficit on provision of services for 2011-12 represented a £36,000 underspend against budget, primarily arising from a saving in supplies and services and payments to third parties.

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After requisition income received, and adjustments between the accounting and funding basis were made, the general fund balance as at 31 March 2012 increased by £29,000 to £209,000.

### Governance

Over-arching and supporting corporate governance arrangements provide a sound framework for organisational decision-making.

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The statement of internal financial control does not disclose any identified weaknesses. We are satisfied that the statement is in line with the requirements of the Code, and our understanding of TAYplan's activities.

### Mandatory communications

We are required by ethical standards to formally confirm our independence you.

Appendices one and two

We draw your attention to the responsibilities of TAYplan under the Audit Scotland's Code of Audit Practice.



## Financial statements

# Accounting policies; audit opinion

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 ("the Code") did not include any major amendments which impacted on the preparation of TAYplan's financial statements.

All accounting policies have been applied consistently.

We have issued an unqualified opinion on the financial statements for 2011-12.

### Code of practice on Local Authority Accounting in the United Kingdom 2011-12 ("the Code")

The 2011-12 Code has a number of amendments from the 2010-11 version and management considered the reporting requirements for the financial statements. The amendments included:

- applicability of FRS 30 *Heritage Assets (as above)*;
- additional guidance in respect of leases;
- additional disclosure requirements in respect of exit packages; and
- a requirement for a specific statement in the annual governance statement / statement on the system of internal financial control on whether financial management arrangements conform with the requirements of the statement on "the role of the chief financial officer in local government."

TAYplan has referred appropriately to the role of the chief financial officer within its statement on the system of internal financial control. None of the other matters above had any impact on TAYplan in the year.

### Accounting policies

There have been no changes to the accounting policies in 2011-12, and these remain appropriate for the activities and transactions of TAYplan.

### Audit opinion

The Local Government (Scotland) Act 1973 requires us to provide an opinion on the financial statements on completion of our audit. Our opinion, which is unqualified, states that the financial statements:

- give a true and fair view of the state of the affairs of TAYplan as at 31 March 2012 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) act 1973 and the Local Government Scotland Act 2003.



## Financial statements

# Preparation of financial statements

**Good quality financial statements were prepared for audit.**

**There are no unadjusted audit differences to report.**

### Preparation of financial statements

The unaudited financial statements were authorised for issue by the Treasurer of TAYplan on 29 June 2012, and passed to us for audit on that day. This was in compliance with statutory requirements and the agreed audit timetable.

Good quality supporting documentation was made available in electronic format to support the unaudited financial statements.

There were no adjustments required to the unaudited financial statements. We are required under International Standard on Auditing 260 *'Communication with those charged with governance'* to report any unadjusted errors identified during the course of our audit. There were no unadjusted audit differences to report.

The net deficit on provision of services for 2011-12 represented a £36,000 underspend against budget, primarily arising from a saving in supplies and services, and third party payments made during the year.

The general fund balance as at 31 March 2012 increased by £29,000 to £209,000.

**Financial position**

For the year ended 31 March 2012, TAYplan reported a net deficit on provision of services before requisitions of £208,000. This outturn represented a £36,000 underspend on the budget approved for 2011-12, which formed the basis for the requisitions made to the four participating local authority areas.

This underspend arose through savings in supplies and services (£24,000) due to change in timing of projects reducing the printing and advertising requirements, and third party payments (£12,000), due to the cost of commissioning surveys being reduced through more in-house or partnership working.

Requisition income for the year totalled £240,000, representing a contribution of £60,000 from each participating local authority area.

After adjustments to reflect the different accounting and funding basis under regulations of £3,000, the outturn for the year was a £29,000 increase in the general fund balance.

**Reserves**

TAYplan holds a general fund balance at the year end of £209,000 which can be applied against future expenditure of the organisation.

Comprehensive income and expenditure statement	
	£000
Net cost of service	211
Other operating income	(2)
Finance and investment income and expenditure	(1)
<b>Deficit on provision of services</b>	<b>208</b>
Requisition income	(240)
<b>(Surplus) on provision of services, being total comprehensive income and expenditure for the year</b>	<b>(32)</b>



**Over-arching and supporting corporate governance arrangements provide a sound framework for organisational decision-making.**

**The statement on the system of internal financial control does not disclose any identified weaknesses. We are satisfied that the statement is in line with the requirements of the Code, and our understanding of TAYplan's activities.**

<p><b>Corporate governance and internal control arrangements</b></p>	<p>Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.</p> <p>The responsibilities of TAYplan and its Treasurer for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements are outlined in the statement of responsibilities in the financial statements.</p> <p>TAYplan's joint committee met three times during 2011-12. The revenue budget for the year was approved by the joint committee, who also receive regular monitoring reports the year to allow them to demonstrate stewardship and accountability for the use of resources.</p> <p>TAYplan utilises the key financial systems of Dundee City Council under service level agreement. We undertook appropriate systems audit work as part of our 2011-12 audit of Dundee City Council, with any findings reported to Council management. No audit findings relating uniquely to TAYplan were identified.</p>
<p><b>Statement of internal financial control</b></p>	<p>TAYplan has prepared a statement on the system of internal financial control which outlines the framework of arrangements within which financial control is managed. No significant weaknesses in financial control have been identified, and disclosed within the statement.</p> <p>We are satisfied that the content of the statement on the system of internal financial control meets the requirements of the Code, and is consistent with our understanding of TAYplan's activities.</p>
<p><b>Standards of conduct and prevention and detection of fraud and irregularity</b></p>	<p>The members of TAYplan are drawn from the constituent councils, and as such are bound by the respective codes of conduct of those councils. Administration of the financial records of TAYplan is undertaken by Dundee City Council staff who are subject to Council policies on standards of conduct, fraud and corruption.</p>
<p><b>Management representation letter</b></p>	<p>In accordance with International Standards on Auditing (UK &amp; Ireland), management is required to provide us with representations on specific matters such your financial standing, application of accounting policies, and whether the transactions in the financial statements are legal and unaffected by fraud.</p> <p>There are no specific representations, other than those required under auditing standards, which we are requesting from management.</p>



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# Appendices





## Appendix one

# Auditor's Independence

**We are required by ethical standards to formally confirm our independence to you.**

**There are no specific matters which have impinged on our independence.**

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships, (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence.

We have considered the fees paid to us by TAYplan for professional services provided by us during the reporting period. There were no fees payable other than in respect of our audit.

We are satisfied that our general procedures support our independence and objectivity.

### **General procedures to safeguard independence and objectivity**

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through:

- instilling professional values;
- communications;
- internal accountability;
- risk management;
- independent reviews.

Please inform us if you would like to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to TAYplan.

### **Confirmation of audit independence**

We confirm that as of 21 September 2012, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of Stephen Reid and audit staff is not impaired.

This report is intended solely for the information of TAYplan and should not be used for any other purposes.

Yours faithfully

**KPMG LLP**

**Financial statements**

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. Audited bodies are responsible for:

- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the relevant financial reporting framework (eg, the Financial Reporting Manual or an Accounting Code of Practice);
- preparing and publishing with their financial statements an annual governance statement, statement on internal control or statement on internal financial control and a remuneration report; and
- preparing consolidation packs and, in larger bodies, preparing a Whole of Government Accounts return.

**Systems of internal control**

Audited bodies are responsible for developing and implementing systems of internal control, including risk management, financial, operational and compliance controls. They are required to conduct annual reviews of the effectiveness of their governance, systems of internal control, or internal financial control, and report publicly that they have done so. Such reviews should take account of the work of internal audit and be carried out by those charged with governance, usually through bodies' audit committees.

**Prevention and detection of fraud and irregularities**

Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions;
- developing and implementing strategies to prevent and detect fraud and other irregularity;
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity; and

- participating, when required, in data matching exercises carried out by Audit Scotland.

**Standards of conduct and arrangements for the prevention and detection of bribery and corruption**

Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and should put proper arrangements in place for:

- implementing and monitoring compliance with appropriate guidance on standards of conduct and codes of conduct for members and officers;
- promoting appropriate values and standards; and
- developing, promoting and monitoring compliance with standing orders and financial instructions.

**Financial position**

Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and future use; and
- the impact of planned future policies and foreseeable developments on their financial position.

**Best Value**

Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.



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