



Edinburgh and South East Scotland Strategic Development Planning Authority

Annual report on the 2012/13 audit



Prepared for Members of Edinburgh and South East Scotland Strategic Development Planning
Authority Joint Committee and the Controller of Audit

October 2013

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Key Messages

2012/13

In 2012/13 we have audited the financial statements and looked at aspects of governance within the Edinburgh and South East Scotland Strategic Development Planning Authority (the Authority). This report sets out our main findings.

Overall we found the stewardship of the Authority during the year to be satisfactory. For 2012/13 we have issued an unqualified opinion that the financial statements give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The Authority uses the corporate financial systems of Fife Council. As external auditor of the council we were able to take assurance from our work on these systems and conclude that the systems are operating satisfactorily. We also found that overall, the Authority's arrangements for the prevention and detection of fraud were satisfactory during 2012/13.

Outlook

We are assured over the financial sustainability of the Authority, based on its financial position and projected three-year financial summary. The financial position is becoming even more challenging than previous years however, with limited increases in funding coupled with increasing cost pressures. This represents a major challenge for the Authority going forward and expenditure will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

Acknowledgements

We would like to express our thanks to the staff of the Authority and Fife Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Edinburgh and South East Scotland Strategic Development Planning Authority (the Authority). The purpose of the report is to set out the scope, nature and extent of the audit. It summarises our opinions on the financial statements and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.
3. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the Authority and no responsibility to any third party is accepted.
4. [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 the Authority understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
5. This report is also addressed to the Controller of Audit and will be published on our website after consideration by the Joint Committee.

Financial statements

Conduct and scope of the audit

6. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, was outlined in the Annual Audit Plan issued to the Treasurer on 1 March 2013 and follows the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
7. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

8. We have given an unqualified opinion that the financial statements of the Authority for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 27 September 2013.
9. We received the unaudited financial statements on 28 June in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team. The Authority is required to follow the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Significant findings (monetary adjustments)

10. During the course of the audit we identified two monetary errors which related to 2013/14 items of expenditure which had been accounted for in 2012/13. Officers agreed to adjust for these errors which resulted in an increase in the general fund balance and in net assets of £15,600.

Financial position

2012/13 Financial results

11. The Authority's financial statements show a surplus of £53,859 on the provision of services for 2012/13 against a budgeted surplus of £24,234. The favourable variance was largely due to lower than expected employee costs due to a member of staff leaving during the year and lower costs in relation to the Plan Examination.
12. Expenditure during the year primarily related to employee costs and accommodation costs and was funded by the requisitions from the constituent councils. This resulted in net general

fund income of £49,217 which resulted in the usable reserves balance increasing from £43,749 as at 1 April 2012 to £92,966 as at 31 March 2013.

13. The Authority's balance sheet as at 31 March 2013 reflected net assets of £91,012, an increase of £53,859 over the previous year.
14. The Authority has earmarked £18,600 of its usable reserve balance to fund the implementation of documentation management and consultation software which will assist the process of public consultation.

Financial planning

15. The proposed operating budget for 2013/14 was approved by the Joint Committee in December 2012 for ratification by the constituent authorities. The proposed budget costs for 2013/14 are £340,100, which is an increase of £33,300 compared to the 2012/13 budget approved in December 2011. The main reason for the increase in 2013/14 is due to the costs associated with the Scottish Government's Examination of the Strategic Development Plan which are shared equally between the Authority and the Scottish Government.
16. The full costs of the examination are not yet known, so the budget for 2013/14 includes a level of contingency based upon costs incurred by other development planning authorities and experience of local authorities in Local Plan examinations.
17. The future costs of the Authority are to be met mainly from the requisitions from the six member authorities. Contributions for 2013/14 were agreed as £49,000 from each authority, the same level as the contributions in 2012/13. Since 2008, annual funding has been subsidised by the one off government funding provided when the Authority was initially set up. However, this funding is almost fully utilised, which together with the uncertainty around the future costs associated with the Scottish Government Examination, may lead to budget pressures in future years.

Action plan no. 1

Corporate governance and systems of internal control

Overall governance arrangements

18. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that the Authority had sound governance arrangements in place.

Accounting and internal control systems

19. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
20. The Authority uses the corporate financial systems of Fife 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.
21. No material weaknesses in the accounting and internal control systems were identified during our audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Statement on the system of internal financial control

22. We are satisfied with the disclosures in the Statement on the System of Internal Financial Control, which is included in the financial statements in line with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13. This statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit. At present, no direct written assurances to support the declarations in the statement are provided by internal audit or senior officers.

Action plan no. 2

Prevention and detection of fraud and irregularity

23. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the Authority's overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

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

24. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Support services provided by constituent councils

25. Support services for the Authority are provided by the constituent councils, such as financial, human resources and legal services. Constituent authorities and the Authority have agreed that at the present time the constituent authorities will not recharge for the services provided.
26. Previous external and internal audit reports have recommended that formal arrangements be put in place for obtaining and funding the Authority's administrative support through Service Level Agreements (SLAs). It is the view of the Authority's project board that establishing SLAs is not a priority given the scale of resources involved. This situation should continue to be kept under review.

Action plan no. 3

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 | 17 | <p>Funding</p> <p>Uncertainty over variable costs associated with the examination of the Strategic Development Plan and starting the Strategic Development Plan 2 may lead to increased costs in future years which would require to be met by constituent authorities.</p> <p>Risk: higher contributions may be required from authorities at a time when they are having to achieve high levels of savings in their own budgets. Constituent authorities may not be willing to meet the contribution levels.</p> | Expenditure will be closely monitored and any emerging budget pressures or projected overspends will be addressed at an early stage. | Ian Angus, SDPA Manager | On-going |
| 2 | 22 | <p>Statement on the System of Internal Financial Control</p> <p>At present no written confirmations are provided to the accountable officer from internal audit or senior officers in support of the statement.</p> <p>Risk: accountable officer may not have sufficient assurance that the internal controls are in place and operating effectively.</p> | Written confirmation will be provided in future years. | Ian Angus, SDPA Manager | May 2014 |

| Action Point | Refer Para No | Risk Identified | Planned Management Action | Responsible Officer | Target Date |
|--------------|---------------|--|---|-------------------------|-------------|
| 3 | 26 | <p>Service Level Agreements</p> <p>There are no formal Service Level Agreements (SLAs) in place between the Authority and member authorities for the support services provided by the member authorities. The Authority's project board has decided that the establishment of SLAs is not a priority given the scale of resources involved.</p> <p>Risk: service provision may not adequately meet the needs of the Authority and may not support continuous improvement and best value.</p> | Quality & Value of service provision will be kept under review as will the potential need for SLAs. | Ian Angus, SDPA Manager | On-going |