

Aberdeen City and Shire Strategic Development Planning Authority

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

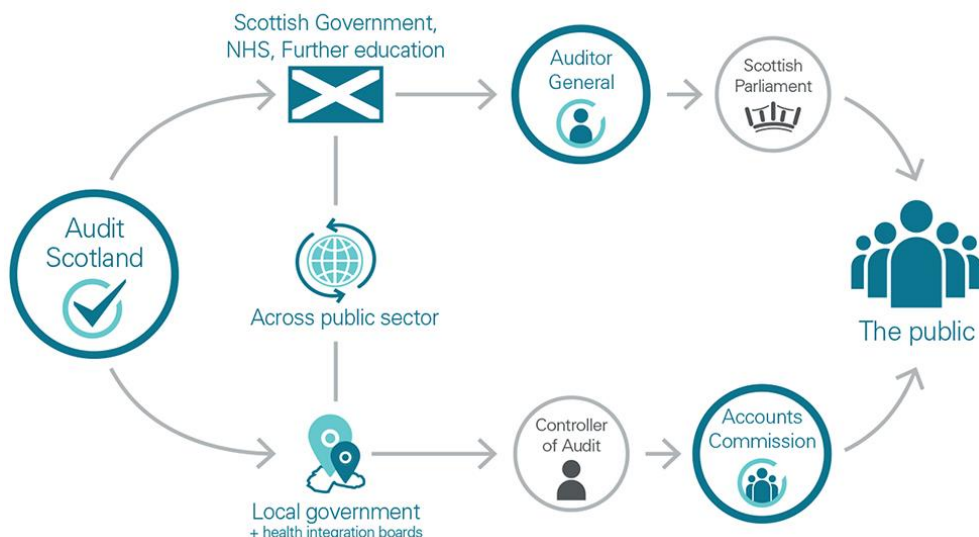
Prepared for Aberdeen City and Shire Strategic Development Planning Authority

March 2019

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.

Contents

| | |
|------------------------|---|
| Risks and planned work | 4 |
| Audit scope and timing | 7 |

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#) (the Code), and any other relevant guidance. The Code requires appointed auditors to provide an opinion on the financial statements and related matters 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 authority through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice.

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 area for the authority which requires specific audit testing. Findings from our planned audit work will assist us in reaching conclusions on this risk area.

Exhibit 1 2018/19 Key audit risk

|  Audit Risk | Source of assurance | Planned audit work |
|---|---|--|
| Financial statements issues and risks | | |
| <p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p> | <ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable in this instance. | <ul style="list-style-type: none"> Detailed testing of journal entries Review of accounting estimates Focused testing of accruals and prepayments Evaluation of significant transactions that are outside the normal course of business. |

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. We will also undertake follow up audit activity to report progress on our recommendations made in previous years.
- 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 also provide an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2018/19 Audit outputs

| Audit Output | Target date | Authority meeting date |
|------------------------------------|---|--|
| Annual Audit Report | 18 September 2019 | 25 September 2019 |
| Independent Auditor's Report (IAR) | The IAR is scheduled to be signed on 26 September 2019. | The audited accounts are scheduled to be approved by the authority on 25 September 2019. |

Source: Audit Scotland

Audit fee

- 9.** Having taken account of the authority's risk exposure, the agreed audit fee for the 2018/19 audit is £2,900 (2017/18 £2,810). Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package by 30 June 2019.
- 10.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, 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, Manager and Treasurer.

Appointed auditor

14. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, 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. In line with Supplementary Guidance for appointed auditors, we also review and report on the governance arrangements within the audited body and the transparency of financial and performance reporting including the body's financial sustainability in the longer term. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial Statements

16. The statutory 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 authority's business and 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 the financial statements as to whether they:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the accounting code) of the state of affairs of the authority as at 31 March 2019 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the 2018/19 accounting code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Other information in the financial statements

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



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

19. 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 calculated figure we use in assessing 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 2019 based on budgeted expenditure for 2018/19. | £2,800 |
| 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. | £2,100 |
| 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. | £140 |

Source: Audit Scotland

Timetable

20. 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](#) which reflects submission requirements and the authority's scheduled quarterly meetings.

Exhibit 4 Annual accounts timetable

|  Key stage |  Date |
|---|--|
| Consideration of unaudited annual accounts by those charged with governance | 14 June 2019 |
| Latest submission date of unaudited annual accounts with complete working papers package | 28 June 2019 |
| Latest date for final clearance meeting with Treasurer | 6 September 2019 |
| Agreement of audited unsigned annual accounts | 13 September 2019 |
| Issue of Annual Audit Report to those charged with governance | 18 September 2019 |
| Independent auditor's report signed | 26 September 2019 |

Internal audit

21. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on 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

22. 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

23. Based on his evaluation of the council's control environment, internal audit provides an annual assurance statement to the 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

24. Our standard audit is normally based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#). These are: financial sustainability, financial management, governance and transparency and value for money.

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

25. As stated in paragraph 2, in our opinion the full application of the wider scope is not appropriate for the authority. The planning authority has a budget of approximately £142k mainly comprising salaries, and final legal costs associated with a hearing in the Supreme Court in 2018. Transactions are generally routine, and funding is requisitioned from local authorities. We therefore concluded that the small body clause is appropriate. However, as a minimum, the Code requires annual audit work on financial sustainability and the appropriateness of the

disclosures in the governance statement. As a result, our wider dimension work will be restricted to financial sustainability and governance and transparency arrangements as set out in paragraphs 26 to 28.

Financial sustainability

26. As auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. While there is uncertainty around the future role of the authority until the 2017 Planning (Scotland) Bill is concluded and the proposed reform of the planning process becomes legislation, there are indications that the authority will have a future role in developing regional planning. In terms of the 2018/19 financial statements, there are no immediate concerns about the ongoing existence of the authority and therefore use of the going concern basis of accounting is appropriate.

27. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

Governance and transparency

28. 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. In previous years, we made recommendations for the authority to review its governance arrangements. 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

29. 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.

30. The engagement lead (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

31. 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.

32. 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.

33. 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.

Aberdeen City and Shire Strategic Development Planning Authority

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