

Aberdeen City and Shire Strategic Development Planning Authority

2018/19 Annual Audit Report



 AUDIT SCOTLAND

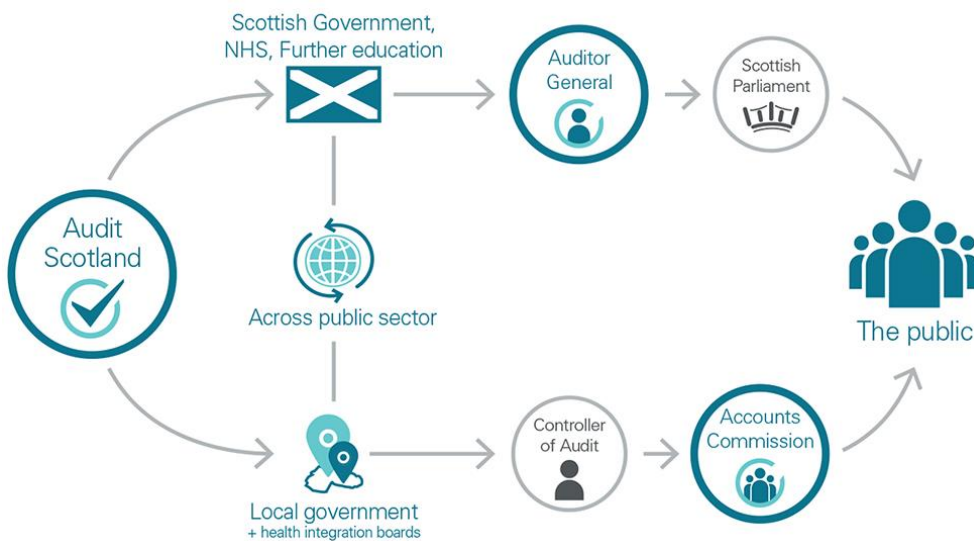
Prepared for Aberdeen City and Shire Strategic Development Planning Authority
and the Controller of Audit

25 September 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.

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Key messages

2018/19 annual accounts

- 1** The authority's financial statements give a true and fair view and were properly prepared.
- 2** The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.

Governance, transparency and financial sustainability

- 3** Governance arrangements will be enhanced through regular review of the operation of the local code of corporate governance.
- 4** The authority experiences financial stability through the continued commitment from partner authorities.

Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of Aberdeen City and Shire Strategic Development Planning Authority (the authority). The report is divided into sections which reflect our public sector audit model.

2. The scope of our audit was set out in our Annual Audit Plan presented to the authority in June 2019. In accordance with Audit Scotland's [Code of Audit Practice 2016](#) (the Code), we explained at that time that the small body provisions apply to the authority. The main elements of the 2018/19 audit therefore included:

- assurances to support our independent opinions on the annual accounts
- consideration of the appropriateness of the disclosures in the annual governance statement
- a review of the body's financial sustainability.

Responsibilities and reporting

3. The authority has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with proper accounting practices. The authority is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

4. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK.

5. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

6. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £2,900 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

7. This report is addressed to both the authority and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

8. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

The authority's financial statements give a true and fair view and were properly prepared. We provided unqualified audit opinions on the accounts.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.

Audit opinions on the annual accounts

9. The annual accounts for the year ended 31 March 2019 were approved by the authority on 25 September 2019. We reported, within the independent auditor's report, that the:

- financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with relevant regulations and guidance

10. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, or the information and explanations we received.

Submission of the annual accounts for audit

11. We received the unaudited annual accounts on 10 June 2019 in line with the audit timetable set out in our 2018/19 Annual Audit Plan.

12. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Risk of material misstatement

13. The [Appendix](#) provides a description of those assessed risks of material misstatement in the annual accounts and the audit work undertaken to gain assurance over the outcome of these risks. There were no wider scope risks identified at the planning stage. We have no issues to report from our work on these risks.

Materiality

14. Misstatements are material if they could reasonably be expected to influence the economic decisions taken by users based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

15. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regard to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

16. On receipt of the annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£2,800
Performance materiality	£2,100
Reporting threshold	£140

Source: Audit Scotland, Annual Audit Plan 2018/19

Significant findings from the audit in accordance with ISA 260

17. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

18. Going concern - The Planning (Scotland) Act 2019 received Royal assent in July 2019. While the statutory function to produce a Strategic Development Plan has been replaced by Regional Spatial Strategies, the status of the authority has not been affected by the changes introduced by the Act. It is anticipated that a strategic planning function will be required to produce the Regional Spatial Strategy and therefore it is likely that that the authority will have a contribution to make. It is therefore appropriate to conclude that the authority will continue to operate. With regard to the 2018/19 annual accounts, there are no going concern matters arising.

Qualitative aspects of the audit

19. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices

How we evaluate misstatements

20. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance taking into account advice from senior officers and materiality.

21. There is a requirement to accrue untaken holiday leave in the annual accounts. Due to an omission, the accrual had not been calculated and accrued. The accrual in respect of the three staff seconded to the authority would have been £1,400 in respect of 2018/19. Having discussed the matter with Finance, on the basis of materiality, the accounts are not going to be amended and we are content with this approach. Had the accounts been adjusted, staff costs in the comprehensive income and expenditure account and creditors in the balance sheet would have increased by £1,400.

22. Otherwise, there were a number of presentational changes agreed in respect of the accounts. No other misstatements were identified and there are no further unadjusted errors which require to be reported.

Management commentary, annual governance statement and remuneration report

23. The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 requires local government bodies to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.

24. Based on our knowledge and work performed, we concluded that the content of the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

Follow up of prior year recommendations

25. The authority has yet to address the prior year recommendation to reflect the requirements of the Local Authority Accounts (Scotland) Regulations 2014 in the Financial Regulations. This largely relates to the statutory requirements around the preparation and audit of the annual accounts. Revised regulations are due to be considered at the next meeting of the authority.

26. In response to our second recommendation covering the authority's governance arrangements and the effectiveness review required by the Delivering Good Governance Framework, the authority approved a local Code of Governance in June 2019. Plans are in place for an annual review of the arrangements to be undertaken as part of the preparatory work for the authority's annual governance statement.

Part 2

Governance, transparency and financial sustainability



Main judgement

Governance arrangements will be enhanced through regular review of the operation of the local code of corporate governance.

The authority experiences financial stability through the continued commitment from partner authorities.

Governance arrangements

27. The authority was designated under the Planning etc (Scotland) Act 2006 and required Aberdeen City and Aberdeenshire Councils to jointly prepare, and keep under review, a strategic development plan for the strategic development plan area.

28. The authority has 12 members, six each from Aberdeen City and Aberdeenshire Councils and it met on four occasions during 2018/19. We review minutes and periodically observe meetings for a greater insight into proceedings.

Internal controls

29. On an annual basis, the authority is required to review its system of internal control prior to its approval of the annual governance statement. In practice, the authority uses the financial systems of Aberdeenshire Council and therefore draws assurance from the council's chief internal auditor's review of the council's systems.

30. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. As outlined above, the authority relies on the financial systems of Aberdeenshire Council. In accordance with ISA 402: Audit considerations relating to an entity using a service organisation; we obtained assurances from the external auditor of Aberdeenshire Council as part of our planned audit approach. We are satisfied there were no significant weaknesses in the systems of internal control which would have a material impact on the authority.

Internal audit

31. The authority's internal auditor is Aberdeenshire Council's chief internal auditor. In respect of 2018/19, he concluded that reasonable assurance could be taken from the financial controls the authority has in place based on his programme of work on council systems.

32. As external auditors for the council, we concluded that internal audit operated in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation, standards and reporting procedures in place.

Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

Financial management

33. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the authority's responsibility to ensure that its financial affairs are conducted in a proper manner.

34. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the Treasurer has sufficient status to be able to deliver good financial management
- financial regulations and standing orders are comprehensive, current and promoted within the authority
- reports monitoring performance against budgets are accurate and provided regularly to budget holders.

35. Overall, financial management is considered to be satisfactory, with appropriate monitoring reports being regularly scrutinised at meetings of the authority.

Transparency

36. Transparency means that the general public have access to understandable, relevant and timely information about how the authority is taking decisions and how it is using resources such as money, people and assets.

37. There is evidence from several sources which demonstrate the authority's commitment to transparency:

- members of the public can attend meetings of the authority
- minutes and agenda papers are readily available on the authority's website
- the website allows the public to access a wide range of information about business activities including plans and monitoring reports
- the authority makes its annual accounts available on its website.

38. Overall, we concluded that the authority conducts its business in an open and transparent manner.

Financial performance in 2018/19

39. The authority set its 2018/19 budget in March 2018 with planned funding from partner councils largely being maintained at the same level as previous years. Expenditure levels are generally relatively stable each year at approximately £150,000. Partners are therefore able to commit to maintain their contribution levels which provide a degree of financial stability for the authority. The financial outturn for the year was in line with the approved budget.

Appendix

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<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"> • 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. 	<p>Audit work concluded satisfactorily. No areas of concern identified.</p>

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk