

Dundee, Perth, Angus and North Fife Strategic Development Authority

2019/20 Annual Audit Report



 AUDIT SCOTLAND

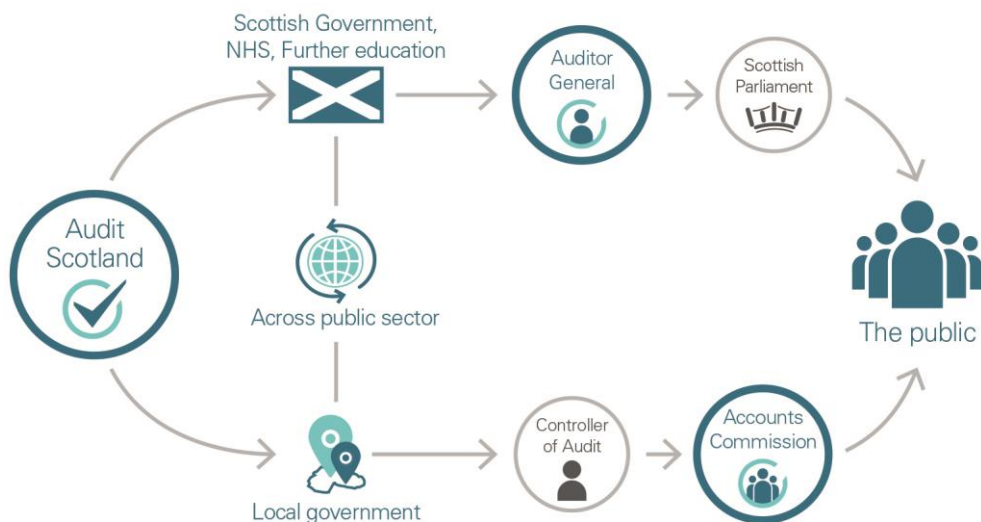
Prepared for the Members of Dundee, Perth, Angus and North Fife Strategic Development Authority
and the Controller of Audit

23 September 2020

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 Authority, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive Authority 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

2019/20 annual report and accounts

- 1** The Authority's financial statements give a true and fair view and are properly prepared in accordance with the financial reporting framework.
- 2** The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and are prepared in accordance with relevant regulations and guidance.
- 3** Despite the Covid-19 pandemic, the annual accounts were submitted on time for audit and the original audit timetable was achieved.

Financial sustainability, governance and transparency

- 4** The Authority has a sufficient level of reserves and its financial position is sustainable in the foreseeable future.
- 5** Budgeted expenditure and reserves levels continue to be wound down in preparation for the abolition of Strategic Development Planning Authorities.
- 6** Future governance arrangements for the Joint Committee's functions should be reviewed.

Introduction

1. This report summarises the findings from our 2019/20 audit of Dundee, Perth, Angus and North Fife Strategic Development Authority (the Authority).
2. The scope of our audit was set out in our 2019/20 Annual Audit Plan presented to management on 22 March 2020. The Annual Audit Plan is scheduled to be presented to the August 2020 meeting of the Authority. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of financial sustainability and the governance & transparency arrangements in the Authority.
3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the Authority has had to respond to the Covid-19 pandemic and this will have an impact into financial year 2020/21. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements.
4. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

5. The Code of Audit Practice 2016 (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the financial sustainability of the body and its services and the appropriateness of the disclosures in the annual governance statement.

6. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2019/20 audit of the Authority.

Adding value through the audit

7. We add value to the Authority through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice
- providing clear and focussed conclusions on the appropriateness, effectiveness and impact of corporate governance arrangements and financial sustainability.

8. In so doing, we aim to help the Authority promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

9. The Authority has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

10. 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.

11. 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.

12. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, for the Authority we conclude on:

- the suitability and effectiveness of corporate governance arrangements
- the arrangements for securing financial sustainability.

13. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016.

14. This report raises matters from our audit of the annual accounts and consideration of the audit dimensions. 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.

15. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out a specific recommendation, responsible officer and date for implementation. It includes an update on an outstanding action from last year's action plan recommendation.

Auditor Independence

16. 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 2019/20 audit fee of £2,960 as set out in our Annual Audit Plan, remains unchanged.

17. We are not aware of any relationships that could compromise our objectivity and independence.

18. 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.

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

Part 1

Audit of the 2019/20 annual accounts



Main judgements

The Authority's financial statements give a true and fair view and are properly prepared in accordance with the financial reporting framework.

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

Despite the Covid-19 pandemic, the annual report and accounts was submitted on time for audit and the original audit timetable was achieved.

Our audit opinions on the annual accounts are unmodified

20. The annual report and accounts are the principal means of accounting for the stewardship of the Authority's resources and its performance in the use of those resources.

21. The annual accounts for the Authority for the year ended 31 March 2020 were approved by the Authority on 22 September 2020.

22. As reported within the independent auditor's report the:

- financial statements give a true and fair view and are properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement are all consistent with the financial statements and are properly prepared in accordance with the applicable requirements.

The annual accounts were signed off on time

23. Unaudited annual accounts were scheduled to be provided for audit by 30 June 2020 to allow sign off by the Scottish Government deadline of 30 September 2020. Due to the impact of Covid-19, the Scottish Government extended the deadline for submission of local authority audited annual report and accounts to 30 November 2020, however we agreed with officers that the original timetable would be adhered to. The unaudited annual report and accounts were received on 25 June 2020 in line with the audit timetable set out in our 2019/20 Annual Audit Plan.

24. The unaudited annual report and accounts provided for audit were complete and of a good standard. Covid-19 had a significant impact on how we conducted our audit with remote working required by officers and the audit team. We are grateful to the Authority's finance staff for the assistance they provided in these circumstances which helped ensure the final accounts audit process ran relatively smoothly.

Overall materiality for the accounts is £950

25. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

26. We carried out our initial assessment of materiality for the annual accounts during our planning phase of the audit. On receipt of the unaudited annual accounts we reviewed our planning materiality calculations. Our revised materiality levels are set out in [Exhibit 2](#).

Exhibit 2 Materiality values

Materiality level	Amount
Overall 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 2020.	£950
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 overall materiality	£710
Reporting threshold - 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 overall materiality.	£50

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

27. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

28. We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan.

A misstatement of £10,000 was adjusted in the accounts. This was not a systematic misstatement and we did not need to revise our audit approach

29. One misstatement identified during the audit, which exceeded our reporting threshold, was amended in the financial statements. Details of the misstatement, are noted below as a significant finding.

30. We identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

We have reported a significant finding from the audit of the accounts

31. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. A significant finding was identified during our audit and is summarised in [Exhibit 3](#).

Exhibit 3 Significant finding from the audit of the financial statements

Finding	Resolution
<p>1. Debtor balance netted off creditors</p> <p>Two balances totalling £10,000, for constituent authorities' contributions not yet transferred to the Authority, were netted off the short term creditors balance. Management has adjusted the misstatement to include the balances as short term debtors and gross up the balance of the short term creditors.</p> <p>The correction of the misstatement has no impact on net revenue expenditure or net assets.</p>	<p>Management has adjusted for the misstatements in the 2019/20 annual accounts.</p>

Source: Dundee, Perth, Angus and North Fife Strategic Development Authority Annual Accounts 2019/20

Good progress was made on prior year recommendations

32. We made two recommendation in our Annual Audit Report of 2018/19 and the Authority has implemented both of these recommendations. Details of actions taken are set out in [Appendix 1](#).

Part 2

Financial sustainability, governance and transparency



Main judgements

The Authority has a sufficient level of reserves and its financial position is sustainable in the foreseeable future.

Budgeted expenditure and reserves levels continue to be wound down in preparation for the abolition of Strategic Development Planning Authorities.

Future governance arrangements for the Joint Committee's functions should be reviewed

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

The Authority has a sufficient level of reserves and its financial position is sustainable in the foreseeable future

33. The Joint Committee's approved 2019/20 budget was set at £51,915 to be met from constituent authorities' requisitions of £20,000, operating income of £250 £31,665 from reserves. This was a decrease of some £210,000 (80%) on the approved 2018/19 revenue budget and reflects the wind down of the Authority.

34. The Authority's budgets for 2020/21 and 2021/22 are set at £50,044 and £35,441 respectively, reflecting the different annual activities in the process of preparing a Strategic Development Plan.

35. The financial performance of the Authority during 2019/20 resulted in an underspend against budget of £5,081.

36. As noted above, the Authority had budgeted to use £31,665 of its general reserve in 2019/20 but the £5,081 underspend enabled the Authority to reduce its usage of reserves in 2019/20 to £26,584. This resulted in a general reserve balance as at 31 March 2020 of £70,538.

37. Budgeted expenditure and reserves levels continue to be wound down in preparation for the abolition of SDPAs

38. We have concluded that the Authority's financial position is sustainable in the short-medium term.

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.

The information in the annual governance statement is consistent with the financial statements and complies with applicable guidance

39. Our review of the annual governance statement assessed the assurances which are provided to the acting SDPA Manager regarding the adequacy and effectiveness of the Authority's system of internal control which operated in the financial year.

40. The annual governance statement summarises the overall control arrangements of the system of internal control. Dundee City Council, as host authority, provides support in some key areas of business, particularly in finance, legal services and information technology.

41. The statement summarises internal audit findings that "the operational governance, risk management and control framework in place for the Authority is that of Dundee City Council's". The Senior Manager – Internal Audit concluded that "reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2020". This concurs with our view from the work we have carried out in 2019/20.

42. We concluded that the information in the annual governance statement is consistent with the financial statements and complies with applicable guidance.

There is scope for improvement in governance and transparency arrangements

43. The governance and transparency arrangements that we have considered in 2019/20 include:

- the structure and conduct of the Joint Committee
- openness and transparency.

44. The Joint Committee consists of members from Dundee City, Angus, Perth & Kinross and Fife Councils. The Authority schedules quarterly meetings to conduct its business but no meetings have taken place either physically or virtually since September 2019 (the 24 March Joint Committee meeting was cancelled due to Covid-19). Future governance arrangements for the Joint Committee are discussed further from paragraph 48.

45. Openness and transparency means that the 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.

46. The Authority's website is a key vehicle for providing understandable, relevant and timely information about how the Authority is taking decisions and how it is using resources such as money, people and assets. The Authority's website is not up to date and does not contain key information. Examples include:

- agendas and minutes for the Authority meetings and supporting papers are not up to date
- Planning Performance Framework information is not up to date
- the risk register is not on the website
- the register of members' interests is not on the website.



Recommendation 1

The website should be reviewed to ensure that relevant key information is included and that it is brought up to date and maintained.

47. We have concluded that there is scope for improvement in the Authority's governance and transparency arrangements.

The role of the Joint Committee should be reviewed

48. The Planning (Scotland) Act 2019 was passed in June 2019. The Act sets out the reforms to the Scottish planning system and provides for the abolition of Strategic Planning Authorities and the removal of Strategic Development Plans from the Statutory Development Plan.

49. The role and remit for which the Joint Committee was previously established has been significantly amended and in our view the role of the Joint Committee requires to be reviewed.



Recommendation 2

Work should be undertaken to identify future governance arrangements for the Joint Committee's functions including dissolution of the Joint Committee. This will require close liaison with other member councils.

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Transparency</p> <p>The Authority's website is not up to date and does not contain key information.</p> <p>Risk</p> <p>Members of the public do not have access to information to allow them to scrutinise the Authority's decision making.</p>	<p>The website should be reviewed to ensure that relevant key information is included and that it is brought up to date and maintained</p> <p>Paragraph 46</p>	<p>The SDPA website will be regularly updated and maintain to ensure that relevant key information is included.</p> <p>Responsible Officer: Kate Cowey</p> <p>Agreed date: 30/11/2020</p>
2	<p>Future governance arrangements for Joint Committee function</p> <p>The role and remit for which the Authority's Joint Committee was previously established has been significantly amended and in our view the role of the Joint Committee requires to be reviewed.</p> <p>Risk</p> <p>Governance arrangements up to final dissolution of the Authority may not be the most effective.</p>	<p>Work should be undertaken to identify future governance arrangements for the Joint Committee's functions including dissolution of the Joint Committee. This will require close liaison with other member councils.</p> <p>Paragraph 49</p>	<p>The relevant members and officers will be consulted on to identify future governance arrangements for the Joint Committee's functions including dissolution of the Joint Committee.</p> <p>Responsible Officer: Kate Cowey</p> <p>Agreed date: 31/03/2021</p>
Follow up of prior year recommendations			
PY1	<p>CIES - Support Costs</p> <p>The CIES includes expenditure of £8,000 for support costs provided by Dundee City Council. This sum is rolled forward each year but there is no calculation to provide a basis for the charge</p> <p>Risk</p>	<p>The Authority should ensure that the estimation of support costs is reviewed for the 2019/20 annual accounts.</p>	<p>Completed: estimation revised.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	Support costs may be mis-stated within the financial statements.		
PY2	<p data-bbox="256 517 616 651">Budget monitoring Budget monitoring reports are not presented to the Joint Committee until the year end.</p> <p data-bbox="256 674 616 871">Risk Members will not be able to scrutinise revenue expenditure timeously and any overspend may not become evident until the year end.</p>	Budget monitoring reports should be presented more regularly to the Joint Committee for scrutiny during the year.	Completed: Mid-year budget monitoring report presented to the Joint Committee in 2019/20.

Appendix 2

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.

Risks of material misstatement in the financial statements		
<p>1 Risk of material 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. • Focussed testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business 	<ul style="list-style-type: none"> • No instances of management override of controls were identified. • All journals and significant transactions tested (including accruals) were found to be appropriate. • Sources of accounting estimates were reviewed and found to be without bias. • We reviewed transactions for the year. No significant transactions were identified that were outside the normal course of the Authority's business.
<p>2 Risk of fraud over expenditure</p> <p>The Code of Audit Practice requires consideration of risk of fraud over expenditure. The Authority incurs significant expenditure which requires audit coverage.</p>	<ul style="list-style-type: none"> • Assessment of adequacy of key financial controls over expenditure. • Detailed testing of transactions focussing on the greater areas of risk. 	<ul style="list-style-type: none"> • No significant issues were found in relation to controls in place across the key financial systems. • From a review of expenditure transactions during the year, no issues were highlighted in relation to the risk of fraud over expenditure.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Compliance with the Local Authority Accounts (Scotland) Regulations 2014</p> <p>We reported two issues of non-compliance in our 2017/18 Annual Audit Report.</p> <p>The audited annual accounts were not physically signed by the authority until October 2018 due to the unavailability of some signatories. This is after the date set out in the statutory regulations.</p>	<ul style="list-style-type: none"> • Review of public notice to ensure the statutory deadline is met. • Agreement of timetable for signing of annual accounts. 	<ul style="list-style-type: none"> • Public notice published by the statutory deadline. • Timetable agreed. No delays to report.

The Authority must also give public notice of the right of interested persons to inspect and object to its accounts no later than 17 June immediately following the financial year to which the accounts relate. The notice was uploaded to the authority's website on 21 June 2017, 3 days after the latest date allowable under the statutory regulations.

Redesign of Planning Authorities

An independent review published in 2016 recommended that Strategic Development Plans should be replaced by an enhanced National Planning Framework.

The Planning (Scotland) Bill was presented to Parliament on 4 December 2017 and completed stage 2 of the legislative process on 14 November 2018. If approved, the Bill should clarify the role of planning authorities in the future.

During any transition period there is a risk that there is a negative impact on the authority's governance and performance arrangements.

- Review reports to the authority to monitor the progress of the changes to the planning framework and the impact on the authority
 - Monitored progress with redesign of Planning Authorities. Recommended that work be undertaken to identify future governance arrangements for the Joint Committee's functions including dissolution of the Joint Committee.
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Dundee, Perth, Angus and North Fife Strategic Development Authority

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