

Dundee, Perth, Angus and North Fife Strategic Development Authority

2020/21 Annual Audit Report



 AUDIT SCOTLAND

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

26 November 2021

Contents

Key messages	3
Introduction	4
Part 1. Audit of 2020/21 annual accounts	6
Part 2. Financial management and governance	11
Appendix 1. Significant audit risks identified during planning	14
Appendix 2. Summary of 2020/21 national performance reports	16

Key messages

- 1 At its June meeting the Joint Committee approved the winding up of the Authority, with the functions required under Section 4 of the Town and Country Planning (Scotland) Act 1997 transferring to the Tay Cities Joint Committee. As a result, the audited 2020/21 annual accounts will be the last set of accounts produced by the Authority.

2020/21 annual report and accounts

- 2 The Authority's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 3 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.
- 4 The independent auditor's report contains an 'Emphasis of Matter' paragraph to draw attention to the fact that, due to winding up of the Authority, the use of the going concern basis of accounting was not appropriate for the preparation of the financial statements, and that the break-up basis of accounting has been used instead. Our opinion is not modified in respect of this matter.

Financial management and governance

- 5 Appropriate budget monitoring and reporting arrangements were in place during 2020/21. The cash balance held by the Authority at 31 March 2021 has been paid over to the administering authority for onward payment to the three other participating councils, after residual income and expenditure has been accounted for.
- 6 The Authority had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2020/21. The Covid-19 pandemic impacted on the governance arrangements from March 2020 but we concluded that the revised arrangements were appropriate and supported good governance.

Introduction

1. This report summarises the findings from our 2020/21 audit of Dundee, Perth, Angus and North Fife Strategic Development Authority (the Authority).
2. We aim to add value to the Authority through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Scope of our audit

3. The scope of our audit was set out in our Annual Audit Plan presented to the June meeting of the Joint Committee. This report comprises the findings from:
 - the audit of Dundee, Perth, Angus and North Fife Strategic Development Authority's annual accounts
 - our consideration of the financial management, financial sustainability and governance arrangements, of the Authority.

Impact of Covid-19

4. The global coronavirus pandemic has impacted all public sector organisations since March 2020. Known risks related to the pandemic were included in our plan, and we have adapted our audit work during the year to address any new risks that have emerged.

Auditor independence

5. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.
6. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £3,040, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Responsibilities and reporting

7. Dundee, Perth, Angus and North Fife Strategic Development Authority has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.
8. The Authority is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
9. 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 \(2016\)](#), International Standards on Auditing in the UK, and supplementary guidance.
10. As public sector auditors we give independent opinions on the annual accounts. The [Code of Audit Practice 2016](#) 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 appropriateness of the disclosures in the governance statement and the financial management and financial sustainability of the body. As highlighted in our 2020/21 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 2020/21 audit of the Authority.
11. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

Audit reporting

12. The weaknesses or risks identified in this report 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.
13. This report is addressed to both the Dundee, Perth, Angus and North Fife Strategic Development Authority and the Controller of Audit and will be published on Audit Scotland's website: www.audit-scotland.gov.uk

Acknowledgement

14. We would like to thank the management and staff of Dundee, Perth, Angus and North Fife Strategic Development Authority for their cooperation and assistance during the audit.

Part 1. Audit of 2020/21 annual accounts

The annual accounts are the principal means of an organisation accounting for the stewardship of resources and performance in using those resources

Main judgements

The Authority's financial statements give a true and fair view and were 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.

The independent auditor's report contains an 'Emphasis of Matter' paragraph to draw attention to the fact that, due to winding up of the Authority, the use of the going concern basis of accounting was not appropriate for the preparation of the financial statements, and that the break-up basis of accounting has been used instead. Our opinion is not modified in respect of this matter.

Our audit opinions on the annual accounts are unmodified

15. The annual accounts for the year ended 31 March 2021 were approved by the Authority, and certified by the appointed auditor, on 26 November 2021. We reported within our independent auditor's report our opinion that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- 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 the applicable requirements.

An emphasis of matter paragraph was included in the independent auditor's report to highlight that the break-up basis of accounting was used in the preparation of the financial statements

16. At its June meeting the Joint Committee approved the winding up of the Authority, with the functions required under Section 4 of the Town and Country Planning (Scotland) Act 1997 transferring to the Tay Cities Joint Committee. As a result, the audited 2020/21 annual accounts will be the last set of accounts produced by the Authority. Therefore, the use of the use of the going concern basis of accounting was not appropriate for the preparation of the financial

statements in the annual accounts for the year ended 31 March 2021, and the break-up basis of accounting has been used instead.

17. An “emphasis of matter” paragraph is a paragraph added to an independent auditor’s report. It does not qualify or modify the auditor’s opinion on the financial statements. It is used to indicate a matter which is disclosed appropriately in the financial statements, and notes thereto, but which the auditor considers should be drawn to users’ attention as being fundamental to understanding the financial statements.

18. *Note 2. Critical Judgements In Applying Accounting Policies* in the Authority’s audited accounts explains why the use of the going concern basis of accounting wasn’t appropriate and why the break-up basis of accounting has instead been used when preparing the financial statements. We have included an “emphasis of matter” paragraph in our independent auditor’s report to draw attention to this.

The 2020/21 audited annual accounts have been certified in line with the revised government timescales

19. As a result of the continuing impact of the Covid-19 pandemic, the submission deadlines for the 2020/21 audited annual accounts and annual audit reports in Local Government were revised to 30 November 2021.

20. The conclusion of the audit and approval of the accounts was in line with the revised timetable permitted by the Scottish Government, with the audited accounts signed after the Joint Committee meeting on 26 November 2021. There has been no impact on the scope of our work due to the remote completion of the audit.

The inspection notice was placed in accordance with the required regulations and no objections were raised to the 2020/21 annual accounts

21. Regulation 9 of the [Local Authority Accounts \(Scotland\) Regulations 2014](#) requires a local authority to give public notice on its website by 17 June (at the latest) of the right to inspect its annual accounts. The specified date should be at least 14 days after the notice is published, but cannot be later than 1 July, and the inspection period should last for 15 working days from the date specified in the notice. As part of the audit we confirmed that the 2020/21 annual accounts inspection notice was placed in accordance with the regulations.

22. The regulations also require a local authority to give the right of interested persons to inspect and object to its accounts, as provided for by section 101 (rights of interested persons to inspect and copy documents and to object to accounts) (11) of the 1974 Act. No objections were raised to the 2020/21 annual accounts.

Our audit approach and testing reflected the calculated materiality levels and included a focus on the transactions required to wind up the Authority

23. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the annual accounts. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

24. Our initial assessment of materiality was undertaken during the planning phase of the audit and was based on the budgeted gross expenditure for 2020/21. These materiality levels were reported in our Annual Audit Plan presented to the Joint Committee in June 2021.

25. On receipt of the unaudited 2020/21 annual accounts we recalculated our materiality levels based on the actual gross expenditure for the year ended 31 March 2021. Our final materiality levels are summarised in [Exhibit 1](#). It should also be noted that our audit included a focus on the transactions required to wind up the Authority.

Exhibit 1 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 2021.	£880
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 set performance materiality at 75% of overall materiality.	£660
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been set at 5% of overall materiality.	£50

Source: Audit Scotland

Our audit identified and addressed the risks of material misstatement

26. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts and any wider audit dimension risks. These risks influenced our overall audit strategy and the allocation of staff resources to the audit, and indicate where the efforts of the team were directed. The

appendix identifies the work we undertook to address these risks and our conclusions from this work.

We reported the significant findings from the audit to those charged with governance prior to the annual accounts being approved and certified

27. 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.

28. The significant findings are summarised in [Exhibit 2](#). Our audit also identified some other presentation and disclosure issues which were discussed with management. These were all adjusted in the audited accounts and none were significant enough to require to be separately reported under ISA 260.

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Basis of accounting and transactions required to wind up the Authority</p> <p>The 2020/21 annual accounts presented for audit were prepared using the going concern basis of accounting.</p> <p>At its June meeting the Joint Committee approved the winding up of the Authority. As a result, the use of the going concern basis of accounting was not appropriate for the preparation of the financial statements in the annual accounts for the year ended 31 March 2021, and the break-up basis of accounting had to be used instead.</p> <p>The change to the break-up basis of accounting required a number of transactions to be processed to wind up the Authority, including:</p> <ul style="list-style-type: none"> • the transactions to settle / clear the outstanding debtors and creditors balances included in the unaudited accounts, and • a transaction to clear the cash balance at 31 March 2021 in the unaudited accounts to Dundee City Council (as the administering authority) for onward payment to the three other participating councils, after residual income and expenditure has been accounted for. <p>A number of changes to the management commentary and note disclosures were also required in the audited accounts to reflect the impact of the winding up of the Authority. This included a disclosure to explain the basis of accounting used.</p>	<p>Management has processed the required transactions in the audited accounts.</p> <p>The audited accounts also explain the use of the break-up basis of accounting at <i>Note 2. Critical Judgements In Applying Accounting Policies</i>, and we have included an 'emphasis of matter' paragraph in our independent auditors' report to draw attention to this disclosure.</p>

Source: Audit Scotland

We have no unadjusted errors to report

29. It is our responsibility to request that all misstatements above the reporting threshold are corrected. We have no unadjusted errors to report.

Part 2. Financial management and governance

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

Appropriate budget monitoring and reporting arrangements were in place during 2020/21. The cash balance held by the Authority at 31 March 2021 has been paid over to the administering authority for onward payment to the three other participating councils, after residual income and expenditure has been accounted for.

The Authority had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2020/21. The Covid-19 pandemic impacted on the governance arrangements from March 2020 but we concluded that the revised arrangements were appropriate and supported good governance.

Appropriate budget monitoring and reporting arrangements were in place during 2020/21

30. The Joint Committee approved the 2020/21 budget prior to start of the financial year and quarterly budget monitoring reports were provided to the committee during the year. The budget monitoring reports provides detail on variances against budget and forecast year-end positions. This allowed members to scrutinise the financial performance of the Joint Committee.

31. We are content that appropriate budget monitoring and reporting arrangements were in place during the year.

The cash balance held by the Authority at 31 March 2021 has been paid over to the administering authority for onward payment to the three other participating councils

32. As detailed at paragraph [16.](#), at its June meeting the Joint Committee approved the winding up of the Authority. The cash balance held by the Authority at 31 March 2021 has been paid over to Dundee City Council (as the administering authority) for onward payment to the three other participating councils, after residual income and expenditure has been accounted for.

33. As the Authority will not operate beyond 2020/21, we have no judgements or conclusions to report in relation to financial sustainability.

The Authority had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2020/21

34. In reviewing the adequacy of the governance and transparency arrangements of an organisation we consider a number of areas, including:

- the structure and conduct of the Joint Committee
- the level of openness and transparency, and
- the overall arrangements and standards of conduct, including those for the prevention and detection of fraud, error, bribery and corruption.

35. The Joint Committee is comprised of members from Dundee City, Angus, Fife and Perth & Kinross Councils and meets quarterly. From our attendance at Joint Committee meetings during the course of the audit appointment we have observed that sufficient time is allowed to discuss the issues on the agendas and members are well prepared and ask appropriate questions.

36. We concluded that the Authority had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2020/21.

The Covid-19 pandemic impacted on the governance arrangements from March 2020 but we have concluded that the revised arrangements were appropriate and supported good governance

37. The Covid-19 pandemic impacted upon the governance arrangements from March 2020. The Authority's existing Scheme of Delegation was relied upon in order to ensure that officers acted in accordance with the powers which the Joint Committee has already delegated. Further interim governance arrangements were also put in place to ensure that essential business could be progressed, while all non-essential business was deferred so that members and officers could concentrate on supporting the organisation through the initial period of the pandemic.

38. During 2020 arrangements were put in place to hold Joint Committee meetings virtually using Microsoft Teams. This was first used for the meeting on 22 September 2020. Joint Committee meetings continued to be held remotely up to the final meeting of the committee on 26 November 2021.

39. We concluded that the revised arrangements put in place were appropriate and supported good governance.

The management commentary in the 2020/21 annual accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year, and

adequately explained the arrangements to wind up the Authority

40. In addition to the consistency opinion on the management commentary covered in Part 1 of this report, we also consider the qualitative aspects of the management commentary included in the annual accounts. The purpose of the management commentary is to provide information on the Joint Committee, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and reasonable analysis of a body's performance and is essential in helping stakeholders understand the financial statements. We concluded that the management commentary in the 2020/21 annual accounts satisfied these requirements and adequately explained the arrangements to wind up the Authority.

National performance audit reports

41. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 a number of reports were published which may be of interest to the Joint Committee. These are detailed in [Appendix 2](#).

Appendix 1

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

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</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. 	<ul style="list-style-type: none"> • Journal entries were tested, no indications of management override of controls. • Judgements and estimations applied were tested to confirm they were appropriate and reasonable. No significant issues were highlighted with the judgements and estimates applied. • We tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year. • We reviewed transactions during the year – no issues highlighted of significant transactions outside the course of business.
<p>2. Risk of material misstatement caused by fraud in expenditure</p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements. This risk may be higher during the Covid-19 pandemic where there is a risk that internal</p>	<ul style="list-style-type: none"> • Detailed testing of transactions focusing on the greater areas of risk. 	<p>During the course of the audit we reviewed this risk and concluded that, while it still represented a risk of material misstatement, it did not represent a significant risk of material misstatement (as defined by ISA 315) for the 2020/21 financial statements. As a result, we did not require to undertake any specific targeted audited work to address this risk as our routine testing of expenditure for the final accounts audit</p>

Audit risk	Assurance procedure	Results and conclusions
controls and governance may not be fully functioning.		was sufficient to provide assurance over the risk. We can confirm that no issues were identified from this testing that could have resulted in a material misstatement in the 2020/21 annual accounts.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>3. Dissolution of Planning Authorities</p> <p>In our 2019/20 Annual Audit Report we recommended that work should be undertaken to identify future governance arrangements for the Joint Committee's functions including dissolution of the Joint Committee. In January 2021, the Acting SDPA Manager reported to the Joint Committee on considerations on the provisions of the Planning (Scotland) Act 2019 including the winding up of the Tayplan Strategic Development Plan Authority. This will include a review of the current governance arrangements. There is a risk that governance arrangements up to final dissolution of the Authority may not be the most effective.</p>	<ul style="list-style-type: none"> • Consideration is to be given to winding up the Strategic Development Planning Authority, including obtaining legal advice. • Consideration is to be given to how the constituent local authorities will progress strategic planning in the Tayside area • Consideration to be given to governance of the Regional Spatial Strategy work and how this can be coordinated and combined with the work on the Tay Cities Deal. 	<p>At its June meeting the Joint Committee approved the winding up of the Authority, with the functions required under Section 4 of the Town and Country Planning (Scotland) Act 1997 transferring to the Tay Cities Joint Committee. The Authority had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2020/21. The Covid-19 pandemic impacted on the governance arrangements from March 2020 but we concluded that the revised arrangements were appropriate and supported good governance.</p>

Appendix 2

Summary of 2020/21 national performance reports

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Dundee, Perth, Angus and North Fife Strategic Development Authority

2020/21 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



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