

# Aberdeen City and Shire Strategic Development Planning Authority

2019/20 Annual Audit Report



 AUDIT SCOTLAND

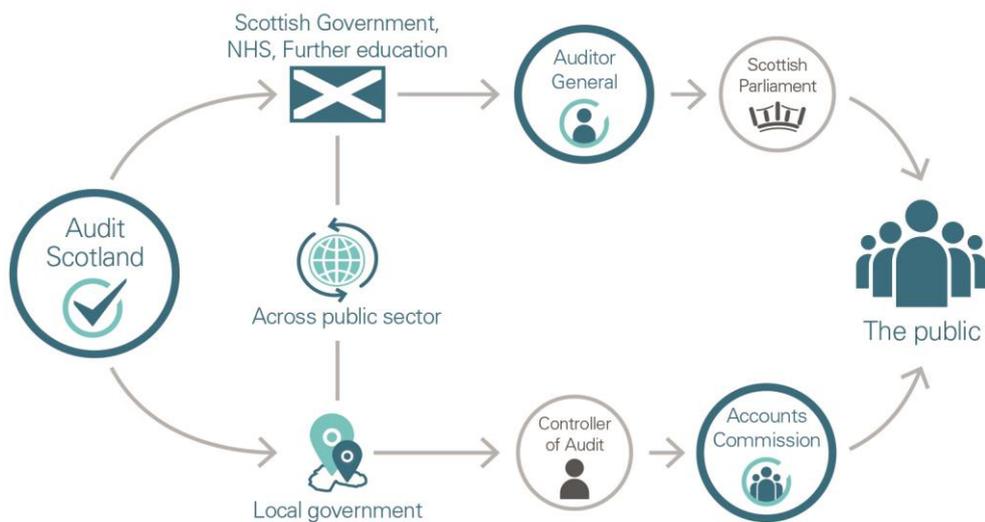
Prepared for the Members of Aberdeen City and Shire  
Strategic Development Planning Authority and the Controller of Audit

24 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 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

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## 2019/20 annual accounts

- 1** The financial statements of Aberdeen City and Shire Strategic Development Planning Authority (the authority) give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** Our audit opinions on the authority's annual accounts are unmodified.
- 3** In response to Covid-19, the Scottish Government extended the deadline for the conclusion of audited annual accounts. Finance officers however delivered the unaudited accounts by the normal statutory date which enabled the audit to progress largely as originally planned.

## Governance, transparency and financial sustainability

- 4** The authority had appropriate governance arrangements in place during the year and conducted its business in an open and transparent manner.
- 5** Financial stability was maintained through the continued commitment from partner authorities.
- 6** The statutory requirement to produce a strategic development plan has been removed. The authority's responsibilities, as set out in its Minute of Agreement, are no longer relevant as a result of the Planning (Scotland) Act 2019. In September 2020, the authority agreed that a budget would not be set on the basis that any future costs would be minimal and absorbed by partner authorities. The 2019/20 annual accounts are therefore intended to be the authority's final set of accounts.

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# Introduction

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1. This report summarises the findings from our 2019/20 audit of Aberdeen City and Shire Strategic Development Planning Authority (the authority).
2. The scope of the audit was set out in our 2019/20 Annual Audit Plan which was presented to the authority on 26 June 2020. 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. Our plan also highlighted that it may no longer be necessary for the authority to produce annual accounts as a result of the changes introduced by the Planning (Scotland) Act 2019. The main elements of the 2019/20 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 authority's financial sustainability.

## Adding value through the audit

3. We add value to the authority through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of financial sustainability, governance and transparency, and best value.

## Responsibilities and reporting

4. 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. The authority is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

5. Our responsibilities as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK. Local government bodies have a responsibility to put arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on the authority's Best Value arrangements is focused on the body's use of resources to secure financial sustainability and the effectiveness of its governance arrangements.

6. As public sector auditors we give independent opinions on the annual accounts. Additionally, where the small body provisions of the Code apply, we conclude on the disclosures in the annual governance statement and the body's financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**7.** This report raises matters from our audit. 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.

## **Auditor Independence**

**8.** 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.

**9.** 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 2019/20 audit fee of £2,960 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** 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](http://www.audit-scotland.gov.uk) in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# Part 1

## Audit of 2019/20 annual accounts



### Main judgements

**The financial statements of Aberdeen City and Shire Strategic Development Planning Authority give a true and fair view and were properly prepared in accordance with the financial reporting framework.**

**Our audit opinions on the authority's annual accounts are unmodified.**

**In response to Covid-19, the Scottish Government extended the deadline for the conclusion of audited annual accounts. Finance officers however delivered the unaudited accounts by the normal statutory date which enabled the audit to progress largely as originally planned.**

The annual accounts are the principal means of reporting financial performance and demonstrating stewardship of resources.

### Our audit opinions on the annual accounts are unmodified

**11.** The authority's annual accounts for the year ended 31 March 2020 were approved by the authority on 23 September 2020. We reported, within our independent auditor's report that, in our opinion the:

- financial statements give a true and fair view and were properly prepared
- 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 relevant regulations and guidance.

**12.** 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

**13.** In response to the Covid-19 pandemic, the Scottish Government extended the deadline for certification of audited accounts from 30 September to 30 November 2020. Staff were however able to deliver the unaudited annual accounts by the usual deadline of 30 June. Although we experienced some loss of audit staff productivity due to remote working in this period, the audit has largely been completed in line with the original timetable set out in our 2019/20 Annual Audit Plan.

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

## Conclusions on audit work to address risks of material misstatement

15. [Appendix 1](#) provides a description of those assessed 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.

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

### Overall materiality is £2,900

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

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

## Exhibit 1 Materiality values

Materiality level	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess 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 the latest audited accounts.	£2,900
<b>Performance materiality</b> – 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.	£2,175
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements above the ‘reporting threshold’ amount. This has been calculated at 5% of planning materiality.	£145

Source: Audit Scotland, Annual Audit Plan 2019/20

## We have no significant findings to report on the accounts

19. 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. We have no significant findings to report from the audit of the 2019/20 annual accounts.

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. There were no misstatements above our reporting thresholds identified from our audit.

## **Management commentary, annual governance statement and remuneration report**

**21.** The Code of Practice on Local Authority Accounting in the United Kingdom requires local government bodies to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and 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.

**22.** 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.

# Part 2

## Governance, transparency and financial sustainability



### Main judgements

The authority had appropriate governance arrangements in place and conducted its business in an open and transparent manner.



Financial stability was maintained through the continued commitment from partner councils.

The statutory requirement to produce a strategic development plan has been removed. The authority's responsibilities, as set out in its Minute of Agreement, are no longer relevant as a result of the Planning (Scotland) Act 2019. In September 2020, the authority agreed that a budget would not be set on the basis that any future costs would be minimal and absorbed by partner authorities. The 2019/20 annual accounts are therefore intended to be the authority's final set of accounts.

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

### Governance arrangements

**23.** 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.

**24.** The authority has 12 members, six each from Aberdeen City and Aberdeenshire Councils. It was scheduled to meet on four occasions during 2019/20 but met on three. We review minutes and periodically observe meetings for a greater insight into proceedings.

### Internal controls

**25.** On an annual basis, the authority is required to review its system of internal control prior to approving its 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.

**26.** As part of our audit, we identify and inspect the key internal controls in those accounting systems which we regard as significant to the production of 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

**27.** The authority's internal auditor is Aberdeenshire Council's chief internal auditor. In respect of 2019/20, 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.

**28.** 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.

## Financial management

**29.** Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

**30.** As auditors, we 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
- budget monitoring reports are accurate and regularly provided to budget holders.

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

## Transparency

**32.** 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.

**33.** 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 public access to a wide range of information about business activities including plans and monitoring reports
- the authority makes its annual accounts available on its website.

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

## Financial performance in 2019/20

**35.** The authority set its 2019/20 budget in February 2019 on the basis that constituent councils agreed to maintain funding at the same level as previous years. Expenditure levels have been relatively stable each year at approximately £150,000. The financial outturn for the year was in line with the approved budget.

**36.** The authority submitted a new Strategic Development Plan to the Scottish Government for approval in April 2019, the formal examination process was undertaken between June 2019 and January 2020 and the plan was approved in August 2020.

**37.** As set out in our Annual Audit Plan, the requirement to produce a strategic development plan has been removed as a result of the Planning (Scotland) Act 2019. The 2020 Strategic Development Plan is therefore the authority's final Strategic Development Plan. The new legislation introduced a revised National Planning Framework including the development of a regional spatial strategy. The Scottish Government however, has yet to issue further guidance which is expected to clarify the requirements for regional spatial strategies.

**38.** Staff costs had formed the majority of the authority's expenditure. It did not directly employ any staff but operated through the secondment of staff from partner councils. In response to the new legislation and changing responsibilities, staff secondments to the authority concluded during 2019/20. With the removal of staff costs, there was no need to agree a budget for 2020/21 as any residual costs were considered minimal and could be absorbed by the partners. As the authority's responsibilities, as set out in its Minute of Agreement, were no longer relevant, the authority needed to consider if it had a future role or whether winding up was the best outcome.

**39.** In September 2020, the authority agreed to continue to meet as required to maintain a role in regional strategic planning matters but that a budget would not be set on the basis that any future costs would be minimal and absorbed by partner authorities. The 2019/20 annual accounts are therefore intended to be the authority's final set of accounts.

**40.** The authority does not hold any property. At 31 March 2020, the authority had a debtor balance due from Aberdeen City Council which was matched by a credit balance due to Aberdeenshire Council. These balances will need to be cleared as part of the arrangements for removing the need to prepare annual accounts.

# 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.

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries</li> <li>• Focused testing of accruals and prepayments</li> <li>• Evaluation of significant transactions that were outside the normal course of business.</li> </ul>	<p><b>Conclusion: Satisfactory</b></p>
<p><b>2 Miscoding of transactions</b></p> <p>The authority's transactions are recorded through Aberdeenshire Council's ledger as the partner which provides the authority's financial services. If robust or adequate processes are not in place, there is a risk that expenditure may be inaccurate or miscoded and the authority's accounts are misstated.</p>	<ul style="list-style-type: none"> <li>• Reviewed expenditure streams and verified a sample of expenditure</li> <li>• Regular/robust budget monitoring in place.</li> </ul>	<p><b>Conclusion: Satisfactory</b></p>

# Aberdeen City and Shire Strategic Development Planning Authority

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