

The Strategic Development Planning Authority for Edinburgh and South East Scotland

2020/21 Annual Audit Report



Prepared for the Strategic Development Planning Authority for Edinburgh and South East Scotland and the Controller of Audit

October 2021

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Key messages

2020/21 annual accounts

- 1 SESplan's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The Management Commentary and the Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial sustainability and the Annual Governance Statement

- 3 SESplan underspent by £65,918 against its budget due to significantly lower costs than anticipated.
- 4 The audited annual accounts for 2020/21 confirm a useable reserves balance of £111,694 at 31 March 2021.
- 5 SESplan has confirmed it will wind up in 2021 as its functions have now fully transferred to the Edinburgh and South East of Scotland City Region Deal. The 2020/21 accounts are intended to be SESplan's final set of accounts.

Introduction

1. This report summarises the findings from our 2020/21 audit of the Strategic Development Planning Authority for Edinburgh and South East Scotland (SESplan).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 28 June 2021 meeting of the SESplan Joint Committee. This report comprises the findings from:

- an audit of the SESplan's annual accounts
- consideration of financial sustainability and the Annual Governance Statement.

3. Similarly to other public bodies, SESplan has had to respond to the global coronavirus pandemic. As SESplan has no directly employed staff and no investment assets other than cash balances held with Fife Council, it has been protected from the effects of the pandemic to a great extent. We therefore made minimal changes to our audit approach.

Adding value through the audit

4. We add value to the SESplan through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
- providing clear and focused conclusions on financial sustainability and the Annual Governance Statement.

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

Responsibilities and reporting

6. SESplan 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. SESplan is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. 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 (the Code) and supplementary guidance and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code and supplementary guidance.

9. 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 appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services. 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.

10. 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

11. Auditors appointed by the Accounts Commission or Auditor General 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. 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.

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

13. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit, particularly given the difficulties of auditing remotely during the COVID-19 pandemic.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

SESplan's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary and the Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Our audit opinions on the annual accounts were unmodified

14. The annual accounts for SESplan for the year ended 31 March 2021 were approved by the Joint Committee on 4 October 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the 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
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual accounts were signed off in line with the agreed timetable

15. We received the unaudited annual accounts on 30 June 2021 in line with the audit timetable set out in our 2020/21 Annual Audit Plan.

16. 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.

There were no objections raised to the annual accounts

17. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. SESplan complied. There were no objections to the 2020/21 accounts.

Overall materiality is £1,100

18. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts. The revised materiality levels are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£1,100
Performance materiality	£840
Reporting threshold	£100

Source: Annual Audit Plan 2020/21

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. We have no issues to report from the audit.

20. There are no significant findings from the audit to draw to your attention and no material adjustments were made to the unaudited financial statements.

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

Good progress was made on prior year recommendations

22. SESplan has made good progress in implementing our prior year audit recommendations. It now has proper arrangements in place for scrutinising and approving the audited accounts. Therefore, no further actions will be proposed

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

23. Appendix 2 provides our assessment of risks of material misstatement in the annual accounts. These risks influence our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. It also identifies the work we undertook to address these risks and our conclusions from this work.

2. Financial sustainability and the Annual Governance Statement

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

SESplan underspent by £65,918 against its budget due to significantly lower costs than anticipated.

The audited annual accounts for 2020/21 confirm a useable reserves balance of £111,694 at 31 March 2021.

SESplan has confirmed it will wind up in 2021 as its functions have now fully transferred to the Edinburgh and South East of Scotland City Region Deal. The 2020/21 accounts are intended to be SESplan's final set of accounts.

SESplan operated within budget in 2020/21

24. The SESplan financial regulations require the operating budget for the next year to be agreed each December. The planned net operating expenditure for 2020/21 of £84,000 was approved by the Joint Committee in November 2019.

25. Actual performance for the year was an underspend against the 2020/21 operating budget of £65,918 and an accounting deficit of £18,082 as demonstrated in [Exhibit 2](#). The underspend was primarily due to savings on:

- Supplies & services - £65,852 saved in relation to consultancy fees.

Exhibit 2 SEsplan budget summary

Budget summary	Budget £	Actual £	Variance £
Net (Income)/Expenditure	84,000	18,082	(65,918)
Usable Reserves (Note 1)	45,776	111,694	65,918

Source: SESplan Annual Accounts 2020/21

Note 1 – The budgeted reserve figure here is the opening position less the budgeted net expenditure (£129,776 - £84,000).

Legislative developments will result in the winding up of SESplan in 2021

26. As set out in our Annual Audit Plan, Changes in legislation (Planning (Scotland) Act 2019) have impacted on the future operations and structure of SESplan.

27. Under the Planning (Scotland) Act 2019 (The Act) Strategic Development Planning Authorities such as SESplan, will no longer exist and will be replaced by the new arrangements for the national planning framework (NPF4).

28. It has been confirmed that the developments will result in SESplan winding up in 2021, as its functions have now fully transferred to the Edinburgh and South East of Scotland City Region Deal.

29. SESplan did not directly employ any staff but operated through sharing resources with partner councils. In response to the new legislation and changing responsibilities, SESplan did not agree a budget for 2021/22 as any residual costs were considered minimal and could be paid from the balance of reserves.

30. The 2020/21 annual accounts are therefore intended to be the authority's final set of accounts.

31. SESplan does not hold any property. At 31 March 2021, the authority had creditor balances of £2027 due to other entities. These balances will need to be cleared as part of the arrangements for removing the need to prepare annual accounts.

32. The audited annual accounts for 2020/21 confirm a useable reserves balance of £111,694. The Joint Committee agreed at its meeting on 4 October 2021 that after paying outstanding creditors and charges due in respect of IT related costs for 2021/22 the balance of reserves will be refunded on an equal share basis to each of the constituent authorities.

Annual Governance Statement

33. Our review of the Annual Governance Statement assessed the assurances which are provided to the Joint Committee and management regarding the adequacy and effectiveness of the system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's assurance statement concluding that 'Overall, systems and processes were operating well and continued improvements are made'.

34. We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

Appendix 1. Significant audit risks

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
1. Risk of material misstatement due to fraud caused by the management override of controls <p>International Standard 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> <p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluate significant transactions that are outside the normal course of business.</p>	<p>Results: No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>We did not identify any transactions outside the normal course of business.</p> <p>Conclusion: No issues were identified which indicate management override of controls.</p>
2. New financial systems <p>During 2020/21, Fife Council introduced new general ledger and accounts payable systems. The systems went live in July 2020.</p> <p>The new systems will be used to produce the 2020/21 financial statements, and, as with any major change in</p>	<p>Service auditor assurances have been obtained from the auditors of Fife Council over the completeness, accuracy and allocation of balances, and income and expenditure.</p>	<p>Conclusion: No issues were found which indicate misstatement in the figures and balances due to the introduction of the new systems.</p>

Audit risk	Assurance procedure	Results and conclusions
financial systems, there is an increased risk of misstatement in the figures and balances.		

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

Audit risk	Assurance procedure	Results and conclusions
<p>4. Future operations and structure of SESplan</p> <p>Changes in legislation (Planning (Scotland) Act 2019) have impacted on the future operations and structure of SESplan. Arrangements are still being developed and finalised, however, it is expected that the developments could result in the winding up of SESplan in 2021 as its functions are expected to transfer to the Edinburgh and South East of Scotland City Region Deal.</p> <p>Meeting of the Joint Committee to be convened in June 2021 to agree procedures and timescale for winding down of SESplan.</p>	<p>Review updates and papers reported to the Joint Committee.</p> <p>Discuss with management about developments impacting on the future operations and structure of SESplan.</p>	<p>Results: Procedures and timescale for winding up were discussed with management and by members at the Joint Committee meetings in June and October.</p> <p>Conclusion: SESplan has agreed procedures and timescale for winding up activities in 2021.</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](#)

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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