

SESplan Joint Committee

21 September 2020

Strategic Development Planning Authority for Edinburgh and South East Scotland Audit of 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 21 September 2020 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for SESplan Joint Committee's consideration our draft annual report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the SESplan Joint Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Strategic Development Planning Authority for Edinburgh and South East Scotland and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Strategic Development Planning Authority for Edinburgh and South East Scotland for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Strategic Development Planning Authority for Edinburgh and South East Scotland as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 24 June 2020. The period of total uninterrupted appointment is one year. I am independent of the Strategic Development Planning Authority for Edinburgh and South East Scotland in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Strategic Development Planning Authority for Edinburgh and South East Scotland. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Strategic Development Planning Authority for Edinburgh and South East Scotland's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Treasurer and Strategic Development Planning Authority for Edinburgh and South East Scotland for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing the Strategic Development Planning Authority for Edinburgh and South East Scotland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Strategic Development Planning Authority for Edinburgh and South East Scotland is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the Annual Accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have

performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Patricia Fraser
Senior Audit Manager
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

21 September 2020

APPENDIX B: Letter of Representation (ISA 580)

Patricia Fraser, Senior Audit Manager
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Patricia

Strategic Development Planning Authority for Edinburgh and South East Scotland Annual Accounts 2019/20

1. This representation letter is provided about your audit of the annual accounts of the Strategic Development Planning Authority for Edinburgh and South East Scotland (the Authority) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Joint Committee, the following representations given to you in connection with your audit of the Authority's annual accounts for the year ended 31 March 2020.

General

3. The Authority and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the Authority have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Authority at 31 March 2020 and the transactions for 2019/20.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the Authority's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the Authority's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern.

Assets

10. The assets shown in the Balance Sheet at 31 March 2020 were owned by the Authority.
11. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
12. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

13. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
14. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

15. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

16. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

17. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Authority's related parties and all the related party relationships and transactions of which I am aware.

Management commentary

18. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

19. I confirm that the Authority has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
20. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

21. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Eileen Rowand MBA, CPFA
Treasurer

The Strategic Development Planning Authority for Edinburgh and South East Scotland

2019/20 Annual Audit Report



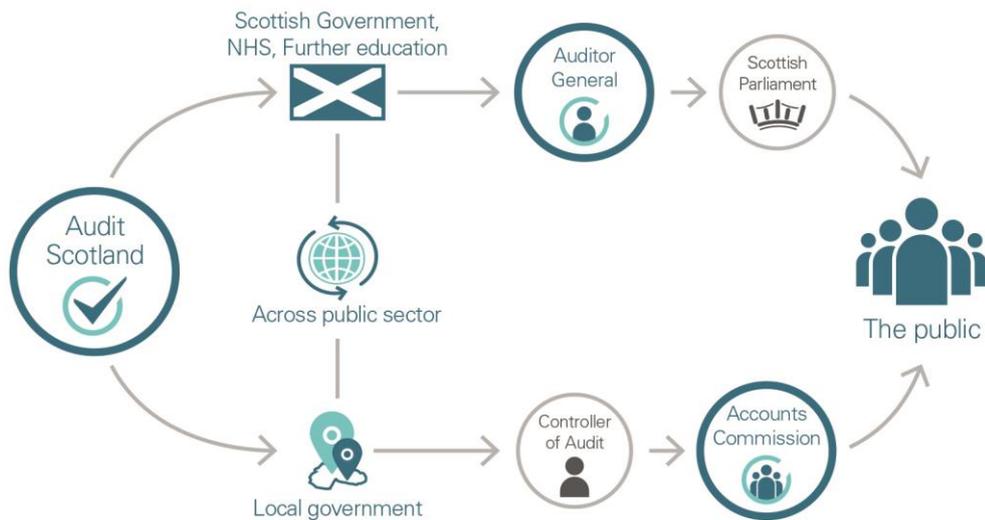
Prepared for the Strategic Development Planning Authority for Edinburgh and South East Scotland
and the Controller of Audit

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

2019/20 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the management commentary and the annual governance statement.
- 2 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 COVID-19 pandemic to a great extent. We therefore made minimal changes to our audit approach.

Financial management and sustainability

- 3 SESplan underspent by £59,625 against its budget due to significantly lower costs than anticipated.
- 4 SESplan uses the corporate financial systems of Fife Council for its operations. These systems are operating satisfactorily, and no significant internal control weaknesses have been identified.
- 5 SESplan has a high level of reserves and is addressing this through adjusting constituent members contributions. As a result, members received a refund in 2019/20 and will make no further contributions in 2020/21.

Governance and transparency

- 6 SESplan has appropriate and effective governance arrangements in place.
- 7 SESplan demonstrates a commitment to transparency in the way it conducts its business, with meetings open to the public and Joint Committee papers and minutes available on their website.
- 8 The Planning (Scotland) Act 2019 removes the requirement for planning authorities, including SESplan, to prepare Strategic Development Plans and instead requires the preparation of Regional Spatial Strategies.
- 9 SESplan should consider the staffing levels required to meet the new requirements under the 2019 Act

Best Value

- 10 An annual performance report showing progress against key objectives along with actions required in the next year is considered by the Joint Committee. This enables members to monitor performance and hold officers to account on key delivery targets.
- 11 SESplan has reported good progress against all objectives in 2019/20 except for one which is no longer applicable due to The Planning (Scotland) Act 2019.

Introduction

1. This report summarises the findings arising from the 2019/20 audit of the Strategic Development Planning Authority for Edinburgh and South East Scotland (SESplan).

2. The scope of the audit was set out in our 2019/20 Annual Audit Plan considered by the SESplan Joint Committee on 16 March 2020. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2019/20 have been:

- an interim audit of SESplan's main financial systems and governance arrangements. In relation to the financial systems, this work centred around consideration of the findings from our review of Fife Council's financial systems in our role as auditors of that body.
- an audit of SESplan's 2019/20 annual accounts and issue of an independent auditor's report setting out our opinions.
- consideration of the four audit dimensions.

4. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, SESplan has had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. 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

5. We add value to the council 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 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

6. Taking this together, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

7. 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.

8. SESplan 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 and supplementary guidance, and International Standards on Auditing in the UK.

10. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the suitability and effectiveness of corporate governance arrangements, and financial position,
- the arrangements for securing financial sustainability,
- the effectiveness of the SESplan's performance management arrangements and,
- Best Value arrangements.

11. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#), and supplementary guidance.

12. 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.

13. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation.

Auditor Independence

14. 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 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.

15. 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. 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

Our audit opinions were all unqualified. These covered the financial statements, the management commentary and the annual governance statement.

The annual accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts for the year ended 31 March 2020 were approved by SESplan on 21 September 2020. We reported, within the independent auditor's report that the:

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

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

Submission of SESplan annual accounts for audit

18. We received the unaudited annual accounts on 30 June 2020 in line with the audit timetable set out in our 2019/20 Annual Audit Plan.

19. 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.

Objections

20. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority 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 2019/20 accounts.

Risk of material misstatement

21. [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.

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

Materiality

23. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. On receipt of the annual report and accounts we reviewed our planning materiality and concluded that no changes were required to the materiality shown at [Exhibit 2](#).

Exhibit 2 Materiality values

Overall materiality	£1,300
Performance materiality	£975
Reporting threshold	£100

Source: Audit Scotland

Significant findings from the audit in accordance with ISA 260

24. 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.

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

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

Part 2

Financial management



Main judgements

SESplan underspent by £59,625 against its budget due to significantly lower costs than anticipated.

SESplan uses the financial systems of Fife Council for its operations. These systems satisfactorily, and no significant internal control weaknesses have been identified.

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

Financial performance in 2019/20

27. The SESplan financial regulations require the operating budget for the next year to be agreed each December. The planned net operating expenditure for 2019/20 of £108,100 was approved by the Joint Committee in November 2018.

28. Actual performance for the year was an underspend against the 2019/20 operating budget of £59,625 and an accounting deficit of £48,475 as demonstrated in [Exhibit 3](#) The underspend was primarily due to savings on:

- Employee costs - £16,961 saved due to staffing vacancies (the core team having been disbanded in January 2019)
- Supplies & services - £71,624 saved mainly owing to consultancy fees (delays in Scottish Ministers reaching a decision on SDP2 resulted in SESplan not commissioning further cross-boundary transport modelling work).

29. The underspend of £71,624 was partially offset by an overspend of £30,000 on rebates paid to member authorities.

Exhibit 3

Budget summary

SESplan budget summary	Budget £	Actual £	Variance £
Net (Income)/Expenditure	£108,100	48,475	(59,625)
Usable Reserves (Note 1)	£70,151	129,776	59,625

Note 1 – the budgeted reserve figure here is the opening position less the budgeted net expenditure (£178,251 - £108,100)

Financial systems of internal control operated effectively

30. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that SESplan has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

31. SESplan uses the corporate financial systems of Fife Council for its operations. As external auditors of the Council, we have reviewed these systems and have concluded that overall, no significant control weaknesses were identified which could affect SESplan's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

32. SESplan relies on an Annual Assurance Statement from the Audit and Risk Management Service of Fife Council to obtain assurance over the internal controls at Fife Council. This statement concluded that "Overall, the main financial systems were operating well and continued improvements to processes are being made."

Part 3

Financial sustainability



Main judgements

SESplan has a high level of reserves and is addressing this through constituent members contributions and as a result members will not make any contributions in 2020/21.

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

SESplan expects to disband in 2022 and is reducing its level of reserves

33. 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 (NPF). The NPF was originally planned to be finalised at the end of 2021, however due to the Covid-19 pandemic this has been delayed by a year.

34. In response to The Act, the SESplan core team was disbanded and from January 2019, the Authority's functions have been provided by officers from the six-member local authorities.

35. One of the key measures of the financial health of an organisation is the level of reserves held. SESplan has one usable reserve and there is no restriction on its use. Its main purpose is to provide a contingency fund to meet unexpected expenditure and to help cushion the impact of uneven cash flows. SESplan's approach is to hold usable reserves sufficient to cover approximately one month's expenditure.

36. In light of the expected disbanding of SESplan steps have been taken to significantly reduce reserves. SESplan had planned to use £108,100 from reserves in 2019/20 but the final figure was only £48,475 due to lower expenditure than had been budgeted. This was after reimbursing constituent member authorities £5,000 each with no contributions payable in 2019/20. Members will make no contributions in 2020/21 and the operating budget of £84,000 will be funded from reserves. We will continue to monitor the level of reserves going forward.

Part 4

Governance and transparency



Main Judgements

SESplan has appropriate and effective governance arrangements in place.

Since April this year, due to the Covid-19 pandemic, SESplan has been working remotely. Regular meetings of the project board have ensured continuous progress with the development of Regional Spatial Planning.

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

Governance and transparency arrangements were appropriate

37. As part of the audit, we consider the effectiveness of the arrangements in place and whether in the auditor's judgement they support good governance and accountability.

38. Our work included reviewing the Standing Orders, Scheme of Delegation and risk management reporting. We confirmed that the governance arrangements in place for SESplan are appropriate and adequate for the size of the authority.

39. We also considered the role and responsibility of SESplan's governing committee, (the Joint Committee), comprising of two members from each of the constituent authorities. The Joint Committee is responsible for oversight of the creation and review of the area's Strategic Development Plan/Regional Spatial Strategy, meeting not less than twice a year to discuss any matters. We considered the frequency of meetings, and quality of information provided to the Joint Committee to be sufficient.

40. The Project Board is responsible for the direction and management of SESplan, agreeing reports for consideration by the Joint Committee and ensuring that decisions of the Joint Committee are implemented.

41. Since April this year, due to the Covid-19 pandemic, SESplan has been working remotely. Regular meetings of the project board have ensured continuous progress with the development of Regional Spatial Planning. The next SESplan Joint Committee is scheduled as planned in September, albeit in a virtual manner.

42. Overall, we have concluded that the governance arrangements in place are appropriate for an organisation the size of SESplan.

43. SESplan demonstrates a commitment to transparency in the way it conducts its business, with meetings open to the public and Joint Committee papers and minutes available on their website.

Legislative Changes

44. The Act removes the requirement for planning authorities, including SESplan, to prepare Strategic Development Plans and instead requires the preparation of Regional Spatial Strategies.

45. In response to The Act SESplan has considered its future role and has committed to working in partnership to deliver a Regional Spatial Strategy and to work closely with the Edinburgh and South East of Scotland City Region Deal partnership to provide a strategic planning context to the City Deal programme. The SESplan Joint Committee is expected to be integrated into a City Deal Oversight Committee in 2020/21.

46. Although the Act sets out the high-level changes to the planning framework, the detail of how the new provisions will work will be set out in secondary legislation and guidance, which is still to be developed by Scottish Government.

47. The SESplan core team has been disbanded in response to The Act and all work is being undertaken by officers from member authorities. SESplan will need to consider how their future work and governance arrangements are supported in the future without a dedicated team.

Our prior year recommendation continues to be relevant

48. There was one prior year recommendation made for SESplan as shown by the prefix b/f in [Appendix 1](#). The issue of adequate staffing levels continues to be relevant.



Recommendation 1

SESplan should consider the staffing levels required to meet the new requirements under the 2019 Act.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

49. SESplan is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

50. SESplan relies on Fife Council's range of established procedures for preventing and detecting fraud and irregularity including a code of conduct for staff, whistleblowing, fraud prevention and fraud response plan. Elected members adhere to the code of conduct of their respective authorities. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

51. We concluded that SESplan has appropriate arrangements in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

Part 5

Best Value



Main judgements

An annual performance report showing progress against key objectives along with actions required in the next year is considered by the Joint Committee. This enables members to monitor performance and hold officers to account on key delivery targets.

SESplan has reported good progress against all objectives in 2019/20 except for one which is no longer applicable due to The Planning (Scotland) Act 2019.

Best Value is concerned with using resources effectively and continually improving services Overview of performance targets

52. The Joint Committee receive an annual report in June each year relating to SESplan's performance against the Planning Performance Framework. This report covers the previous year and sets targets for the current year. This enables members to monitor performance and hold officers to account on key delivery targets.

53. In 2019/2020, the main items for Joint Committee consideration were Annual Housing Update, the Housing Land Position Statement and Development Plan Scheme 12. The Joint Committee also considered operational matters related to finance, risk management, accounts and audit.

54. SESplan has reported good progress against all objectives in 2019/20 except for one which is no longer applicable due to The Planning (Scotland) Act 2019.

55. The annual report highlights a culture of continuous improvement within SESplan:

- all members of the team participated in Fife Council's contribution management and personal development planning programme
- Best practice is shared through the knowledge hubs and Heads of Planning Scotland.

National performance audit reports

56. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published a number of reports which are of direct interest to SESplan. These are outlined in [Appendix 3](#).

Appendix 1

Action plan 2019/20



No. Issue/risk

Recommendation

Agreed management action/timing

Follow up of prior year recommendations

b/f 1 Core Team

The SESplan core team has been disbanded in response to The Act and all work is being undertaken by officers from member authorities. SESplan will need to consider how their future work and governance arrangements are supported in the future without a dedicated team.

Risk: SESplan does not have staffing resources available to deliver its statutory requirements.

SESplan should consider the staffing levels required to meet the new requirements under the 2019 Act.

[Paragraph 47](#)

The SESPlan Board will continue to liaise with Scottish Government to establish the resource requirements for meeting any new duties under the 2019 Act.

Acting SDPA Manager

31 December 2020

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. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Risks of material misstatement in the financial statements

<p>1 Risk of material misstatement caused by management override of controls</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"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. 	<p>Results – Our work on journals, accounting estimates, accruals and prepayments and significant transactions did not identify any indication of management override of controls.</p> <p>Conclusion – No issues were identified which indicate management override of controls.</p>
<p>2 Risk of material misstatement caused by fraud in expenditure</p> <p>ISA240 includes an assumption of fraud over income. The vast majority of SESplan's income is from member councils and this specific risk is rebutted. The Code of Audit Practice extends the assumptions within ISA240 to the risk of fraud over expenditure.</p>	<ul style="list-style-type: none"> • Detailed testing of transactions focusing on the greater areas of risk. 	<p>Results – We tested 98% of the expenditure in the 2019/20 accounts.</p> <p>Conclusion – No issues were found which indicate that fraud has occurred.</p>

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

<p>3 Governance and transparency</p> <p>Since July 2019, with the introduction of the Planning (Scotland) Act 2019, the primary function of SESplan has changed from preparing strategic development plans to preparing Regional Spatial Strategies.</p> <p>Secondary legislation and detailed guidance have still to be published. In the meantime,</p>	<ul style="list-style-type: none"> • Reviewed reports to SESplan to monitor the progress of the changes to the planning framework and the impact on The Authority. • Reviewed reports to the joint committee to monitor the governance arrangements. 	<p>Results: We reviewed reports submitted to the Joint Committee in 2019/20.</p> <p>Conclusion: The Joint Committee received regular reports in relation to the changes to the planning framework and the impact on The Authority. However, we noted that the Joint Committee did not receive any update on its financial position in March this year.</p>
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a lead Manager has been appointed by the joint committee and the six SESplan constituent councils have agreed to work together to progress an indicative regional spatial strategy through a Regional Growth Framework.

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

Overall, we confirmed that the governance arrangements in place for SESplan are appropriate and adequate for the size of the authority.

3 Risk management

Current Governance arrangements require the joint committee to consider an annual report on risk management. We noted the last risk management report submitted to the committee was in December 2018.

The management of risk is particularly important as the organisation progresses through a period of change.

We will monitor and review reports submitted to the joint committee in 2020, providing comment in our Annual Audit Report.

Results: We reviewed reports submitted to the Joint Committee in 2019/20.

Conclusion: The Joint Committee received and considered an annual risk management update in March this year.

Appendix 3

Summary of national performance reports 2019/20



		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	 Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	 Early learning and childcare: follow-up

2019/20 Annual Audit Report

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