

## ITEM 6 – AUDIT

Report by: Alice Miles, Acting SDP Manager

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### Purpose

This report presents the Annual Audit Plan for 2017 / 2018 and the report of the SESplan Governance Review undertaken by Fife Council in March 2018.

### Recommendations

It is recommended that the SESplan Joint Committee:

1. Notes the Annual Audit Plan 2017 / 2018, attached as Appendix 1 to this report; and
2. Notes the SESplan Governance Review, attached as Appendix 2 to this Report.

### Resource Implications

As set out below.

### Legal and Risk Implications

As set out below.

### Policy and Impact Assessment

No separate impact assessment is required.

## 1. Annual Audit Plan 2017 / 2018

- 1.1 The Accounts Commission is the public spending watchdog for local government, holding councils in Scotland to account and helping them to improve. Authorities are expected to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services. 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.

1.2 The Annual Audit plan attached as Appendix 1 to this report contains an overview of the planned scope and timing of the annual audit, ensuring it is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#) and any other relevant guidance. The plan identifies that Audit Scotland will provide an opinion on SESplan financial statements and related matters including an assessment of the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## **2. SESplan Governance Review**

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2.1 The SESplan Governance Review was undertaken by Fife Council and reviews the governance arrangements (including financial rules) and a high level overview of other SESplan systems. This audit forms part of the Strategic Audit Plan of Fife Council Audit Services Division, acting as internal auditor to SESplan and is attached to this report as Appendix 2.

2.2 Key good practice points noted include:

- SESplan has a formal Constitution, accepted by all the Member Authorities.
- SESplan has appropriate policies and protocols for maintaining its Constitution and professional role as the Strategic Development Plan Authority for the Edinburgh City Region, including authority delegated to SESplan, and its leading roles and what they entail.
- SESplan has clear evidence that work / information required for future meetings is performed, including receipt of ratifications and delegations from all member authorities.
- SESplan has appropriate arrangements for assessing, obtaining and monitoring best value.
- SESplan has Financial Regulations clearly setting out the obligations and responsibilities of SESplan and, where appropriate, member authorities.

2.3 The audit raised five areas where improvement could be made. These improvements have been put into an action plan. The actions as set out within section 4 of Appendix 2 to this report are summarised in Table 1 below. Progress on addressing the actions is set out in Table 1.

**Table 1 – SESplan Governance Review Action Plan and Progress**

Recommendation		Proposed Action / Explanation	Progress
1.	SESplan should formally consider amending its Constitution, and related procedures to advise complainants that if not satisfied with SESplan’s initial response, referral to the Ombudsman (SPSO) is available.	This will be put to the Joint Committee meeting in June.	Amended Governance documents including the Constitution and Financial Rules have been circulated for Joint Committee consideration under Item 8 (Governance).
2.	SESplan should formally consider amending its Constitution for the Joint Committee to approve the Budget by December for Member Authorities to ratify in the New Year.	This will be put to the Joint Committee meeting in June.	Amended Governance documents including the Constitution and Financial Rules have been circulated for Joint Committee consideration under Item 8 (Governance).
3.	SESplan should formally consider amending its Financial Rules for it to be the SDP Manager, in consultation with the Treasurer, to submit appropriate financial monitoring reports to the SESplan Joint Committee.	This will be put to the Joint Committee meeting in June.	Amended Governance documents including the Constitution and Financial Rules have been circulated for Joint Committee consideration under Item 8 (Governance).
4.	Financial support arrangements should be improved to demonstrate reconciliation and agreement of SESplan and Financial Ledger figures, at least biannually, and prompt provision to SESplan of transaction processing details around year end.	Financial records and reports will confirm prompt exchange, reconciliation and agreement of financial information.	Reconciliation of SESplan figures and the Financial Ledger for 2017 / 2018 has taken place and has been agreed between finance and SESplan.  Arrangements have been put in place for reconciliation of SESplan figures and the Financial Ledger to be undertaken on a monthly basis going forward.
5.	The SESplan Annual Governance Statement should make specific reference to: best value / value for money; risk; the effectiveness of the controls; plans; monitoring of action being taken.	We will ensure that the Annual Governance Statement will include all the specific references required by the Accounts Regulations.	The Annual Governance Statement included within the unaudited accounts 2017 / 2018 includes the specific references required by the Accounts Regulations (See Item 7 Finance).

### **3. Next Steps**

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- 3.1 The SESplan Joint Committee is asked to note that Audit Scotland will now undertake the annual audit in accordance with the plan set out in Appendix 1. The Local Authority Accounts (Scotland) Regulations 2014 state that best practice is for the unaudited accounts to be considered at Committee prior to the 30 June or no later than the 31 August each year. The unaudited accounts have therefore been circulated for SESplan Joint Committee consideration under Item 7 (Finance).
- 3.2 The audited accounts require to be considered by the Joint Committee by the 30 September each year with the Local Authority Accounts (Scotland) Regulations 1985 requiring that they are laid before a meeting of the authority within two months of receipt of the documents. The Audited Accounts and report of the Annual Audit for 2017 / 2018 will be brought to the November meeting of the Joint Committee.
- 3.3 Progress against the areas for improvement highlighted within the SESplan Governance Review will continue to be made, with a final report circulated to the November Joint Committee.

### **Appendices**

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Appendix 1	Annual Audit Plan 2017 / 2018
Appendix 2	SESplan Governance Review

### **Report Contact**

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# Edinburgh and South East Scotland Strategic Development Planning Authority

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

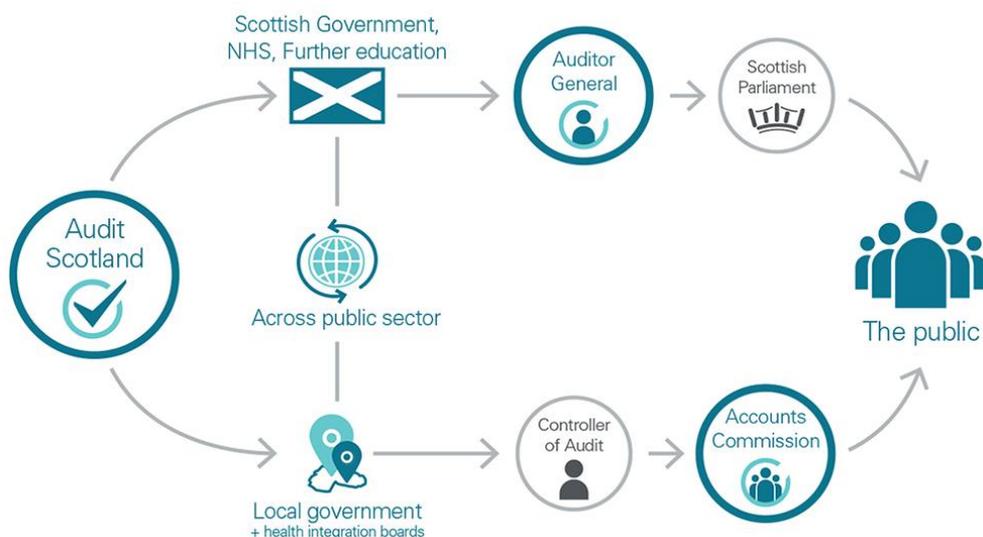
Prepared for Edinburgh and South East Scotland Strategic Development Planning Authority

February 2018

## 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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# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit.
2. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
3. Supplementary Guidance allows appointed auditors to use judgement to conclude that the full application of the wider scope is not appropriate based on the risks, nature and size of an audited body (a small audited body clause). In our judgement the small audited body clause applies to Edinburgh and South East Scotland Strategic Development Planning Authority (the Authority).

## Audit risks

4. Based on our discussions with staff and a review of supporting information we have identified the following main risk areas for the Authority. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

### 2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
<b>Financial statement issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</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 of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
<b>Wider dimension risks</b>		
<p><b>2 Governance and transparency</b></p> <p>An independent review published in 2016 recommended that</p>	<p>Regular reports to members on the current position and proposals.</p>	<p>Review of reports to members on the current position and proposals regarding the future</p>

Audit Risk	Source of assurance	Planned audit work
<p>Strategic Development Plans should be replaced by an enhanced National Planning Framework.</p> <p>Following a consultation process the Planning (Scotland) Bill was presented to Parliament on 4 December 2017. The Bill proposes the “<i>removal of requirement to prepare strategic development plans</i>” which is the primary function of the Authority. The future of the organisation is therefore uncertain.</p> <p>During any transition period there is a risk of a negative impact on the Authority's governance and performance arrangements.</p>		<p>of the Authority.</p> <p>Review of reports to the Authority to monitor the progress of the changes to the planning framework and the impact on the Authority.</p>

## Reporting arrangements

5. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the Authority Edinburgh and South East Scotland Strategic Development Planning Authority, and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

## Exhibit 2 2017/18 Audit outputs

Audit Output	Target date	Joint Committee date
Annual Audit Report including ISA 260 requirements	28 September 2018	November 2018*
Independent Auditor's Report	28 September 2018	N/A

\*The Authority's Joint Committee will be asked at its June 2018 meeting to approve delegation of responsibility for signing off the Audited Accounts and Annual Audit Report to the Convener, SDP Manager and the Treasurer.

## Audit fee

8. The agreed audit fee for the 2017/18 audit of the Authority is £2,810 (2016/17 £2,770). In determining the audit fee we have taken account of the risk exposure of the Authority, the planned management assurances in place and the level of

reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 29 June 2018.

**9.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

## **Responsibilities**

### **Joint Committee and Treasurer**

**10.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**11.** The audit of the financial statements does not relieve management or the Joint Committee as those charged with governance, of their responsibilities.

### **Appointed auditor**

**12.** Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the auditing profession's ethical guidance.

**13.** Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Financial statements

**14.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Authority and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the Authority will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**15.** We will give an opinion on the financial statements as to whether they:

- give a true and fair view in accordance with applicable law and the Code of practice on local authority accounting in the UK 2017-18 (the Code) of the states of affairs of the Authority as at 31 March 2018 and of its surplus/deficit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and adapted by the 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

## Materiality

**16.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinion in the auditor's report.

**17.** We calculate materiality at different levels as described below. The calculated materiality values for the Authority are set out in [Exhibit 3](#).

## Exhibit 3

### Materiality values

Materiality level	Amount
<b>Planning materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2018 based on the November 2017 budget information.	£1,700
<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 60% of planning materiality.	£1,000
<b>Reporting threshold</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of planning materiality, and rounded up to a memorable metric.	£100

Source: Audit Scotland

**18.** We review and report on other information published with the financial statements including the management commentary, annual governance report and the remuneration report. Any issue identified will be reported to the Joint Committee.

#### Timetable

**19.** To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Joint Committee dates:

## Exhibit 4

### Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by the Joint Committee	25 June 2018
Latest submission date of unaudited annual accounts with complete working papers package	29 June 2018
Latest date for final clearance meeting with the accountant	31 August 2018
Agreement of audited unsigned annual accounts	21 September 2018
Issue of Draft Annual Audit Report including ISA 260 report to those charged with governance	
Independent auditor's report signed	28 September 2018

## Internal audit

**20.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. Internal Audit is provided by Fife Council's Audit and Risk Management Service (ARMS). We seek to rely on the work of internal audit wherever possible.

**21.** In respect of our wider dimension audit responsibilities we plan to consider the ARMS review of the Authority governance arrangements

## Audit dimensions

**22.** As noted in paragraph 3, in our opinion the full application of the wider scope is not appropriate for the Authority. However, as a minimum, the Code requires annual audit work on the financial sustainability and the appropriateness of the disclosures in the governance statement. As a result our wider dimension work will be restricted to financial sustainability and governance and transparency arrangements.

## Financial sustainability

**23.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the Authority's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

## Governance and transparency

**24.** 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. We will review, conclude and report on:

- whether the Authority can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision – making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

## Independence and objectivity

**25.** 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 also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

**26.** The engagement lead for the Authority is Pearl Tate, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any

relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Authority.

## Quality control

**27.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**28.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and relevant supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

**29.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

## Adding Value

**30.** Through our audit work we aim to add value to the Audited Body. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the Audited Body has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

# Edinburgh and South East Scotland Strategic Development Planning Authority

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# **Audit Services**

SESplan

Governance Review

## **Management's Responsibility for Internal Control**

Management is responsible for internal control and Heads of Service are required to sign an annual Assurance Statement to this effect. Each Service Management, having undertaken an assessment of the risks involved and/or having been advised of areas of risk by internal audit, external audit, or another inspection body, is responsible for putting appropriate internal controls in place. If proper internal controls are not in place, Management must accept responsibility for the increased risk of fraud and error.

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## Executive Summary

This audit reviews the governance arrangements, including financial rules and a high level overview of other systems, of SESplan, the Strategic Development Planning Authority (SDPA) for Edinburgh and South East Scotland. This audit forms part of the Strategic Audit Plan of Fife Council Audit Services Division, acting as Internal Auditor to SESplan and has been conducted in conformance with the Public Sector Internal Audit Standards (PSIAS).

### Good Practice Points

- SESplan has a formal Constitution, accepted by all the Member Authorities.
- SESplan's Constitution provides the appropriate Objects and Powers to undertake its designated role as the SDPA for the South East Region of Scotland (Edinburgh City Region).
- SESplan has appropriate policies and protocols for maintaining its Constitution and professional role as the SDPA for the Edinburgh City Region, including authority delegated to SESplan, and its leading roles and what they entail.
- SESplan has mostly appropriate arrangements for planning, providing and monitoring that it meets its professional obligations (e.g. public consultations, area boundaries, Main Issues Report, Strategic Environmental Assessment, Strategic Development Plan).
- SESplan has clear evidence that work / information required for future meetings is performed, including receipt of ratifications and delegations from all the Member Authorities.
- SESplan has appropriate mechanisms for reporting on its professional role to Member Authorities, sponsors and the public.
- SESplan has appropriate arrangements for obtaining and funding administrative support (financial, HR, legal services, etc).
- SESplan has appropriate arrangements for assessing, obtaining and monitoring best value.
- SESplan has Financial Regulations clearly setting out the obligations and responsibilities of SESplan and, where appropriate, Member Authorities.
- Operating budgets for the next financial year are proposed by the SDP Manager, approved by the SESplan Joint Committee and ratified by the Member Authorities (but see below).
- The SDP Manager, in consultation with the Treasurer, submits detailed monitoring reports to the SESplan Joint Committee twice a year (but see below).
- The financial reports compare actual expenditure to date and projected / final outturn expenditure with the budget position (but see below).
- SESplan monitors that Member Authorities fulfil their roles in providing administrative support and comply with SESplan's Financial Regulations, as follows:
  - there is a SESplan financial ledger for recording and accounting for its transactions separately from those of Member Authorities;
  - Member Authorities are invoiced for their equal share of the costs;
  - Member Authorities invoice SESplan for services provided;
  - salaries and wages, including legitimate travel, hospitality and other expenses incurred in the course of duty, are properly processed and paid;
  - SESplan ensures that all expenditure incurred is valid and approved before a transaction is processed.
- SESplan has mostly appropriate mechanisms for reporting on its accountability for public money to Member Authorities, sponsors and the public (but see below).

### Areas for Improvement

- The SESplan Constitution, and related procedures, do not advise complainants that if not satisfied with SESplan's initial response, referral to the Ombudsman (SPSO) is available.
- SESplan Constitution is worded for Member Authorities to ratify the Budget by December, rather than for the Joint Committee to approve it by December subject to ratification by Member Authorities when they approve their budgets in the New Year.

- The SDP Manager, in consultation with the Treasurer, submits the financial monitoring reports to the SESplan Joint Committee, which although appropriate is contrary to the Financial Rules.
- The financial monitoring reports to the SESplan Joint Committee contain appropriate information but the Treasurer's role is not referred to and procedures do not demonstrate reconciliation and agreement of SESplan and Financial Ledger figures, at least biannually, or prompt provision to SESplan of transaction processing details around year end.
- The 2016/17 SESplan Annual Governance Statement made no specific reference to: best value / value for money; risk; the effectiveness of the controls; plans; or monitoring of action being taken.

## Audit Opinion

**In our opinion, the system of controls under review within SESplan for its governance arrangements merits a Grade 2. We consider that the materiality of the area that has been audited warrants a Grade 4, accordingly we assess the overall risk as Medium. See FISH for an explanation of the terminology by following this link or searching under publication using [Audit Report and Management Letter Opinion Explanation](#).**

## Distribution

Convener, SESplan Joint Committee	Cllr Beare, Fife Council
SESplan Strategic Development Plan (SDP) Manager	Alice Miles
SESplan Treasurer (Executive Director Finance & Corporate Services)	Eileen Rowand
Convener, SESplan Project Board (FC Senior Manager (Planning))	Pam Ewen
Head of Finance, Fife Council	Elaine Muir
Business Partner, Fife Council	Tracy Hirst
Convenor of Standards & Audit Committee, Fife Council	Cllr Dempsey
External Auditor (Pearl Tate, Ross Hubert)	Audit Scotland

This report includes 5 audit recommendations, which SESplan and Finance & Corporate Services have agreed to ensure are implemented. The attached action plan details the actions proposed, who is responsible for them, and that they are planned for implementation by 30/06/2018.

Carolyn Ward  
Audit Team Leader (Temporary)

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## 1. Introduction

- 1.1 This audit reviews the governance arrangements, including financial rules and a high level overview of other systems, of SESplan, the Strategic Development Planning Authority (SDPA) for Edinburgh and South East Scotland. This audit forms part of the Strategic Audit Plan of Fife Council Audit Services Division, acting as Internal Auditor to SESplan and has been conducted in conformance with the Public Sector Internal Audit Standards (PSIAS).
- 1.2 SESplan is one of four SDPAs designated by Scottish Ministers on 25 June 2008, comprising a partnership of the following planning authorities - City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian Councils.
- 1.3 The duties of SESplan, as an SDPA, are carried out by a Joint Committee representing the constituent Member Authorities, who each appoint two Councillors to it. The professional work is provided through an SDP Manager, and team, managed by a Project Board consisting of the relevant Director or Head of Service from each Member Authority. Other functions are provided by Member Authorities.
- 1.4 SESplan has developed a website, providing minutes and papers for all its Joint Committee meetings, including details of the statutory background, Constitution, Financial Rules, etc. The website provides a public gateway to SESplan and its work.
- 1.5 The objectives of this review are to confirm that:
- a) SESplan has a Constitution and management arrangements, including delegations to SESplan, accepted by Member Local Authorities, identifying its statutory duties, professional functions, and performance management and reporting requirements;
  - b) SESplan has clear arrangements, including agreements with Member Local Authorities, for providing, monitoring and reporting financial and other administrative support and obtaining best value.
- 1.6 The scope of the audit covered:
- a) Accessing the SESplan website and discussions with appropriate officers and/or members of SESplan and Fife Council.
  - b) Reviewing relevant governance, financial, administrative and operational documentation.
  - c) Identifying and evaluating the internal controls for ensuring that processes are in place for achieving key SESplan objectives.
  - d) Reporting on findings and making recommendations where appropriate.
- 1.7 We discussed the findings in this report and its factual accuracy with Alice Miles, SDP Manager; Pam Ewen, Convener, SESplan Project Board (FC Senior Manager (Planning); Jackie Johnstone, FC Business Partnering Accountant.
- 1.8 We acknowledge the assistance and co-operation of all staff contacted during this audit.

## 2. SESplan Constitution

### Control Objective

- 2.1 SESplan has a Constitution and management arrangements, including delegations to SESplan, accepted by Member Local Authorities, identifying its statutory duties, professional functions, and performance management and reporting requirements.

### Risk

- 2.2 Failure to fulfil the statutory requirements for producing and maintaining an SDP for the Edinburgh City Region.

## Testing

- 2.3 Review and assess evidence on the SESplan website. Discuss with Project Board Chair and SDP Manager, and obtain additional evidence, as appropriate.

	Control	OK	Comment	REC
1	SESplan has a formal Constitution, accepted by all the Member Authorities.	Y	-	-
2	SESplan's Constitution provides the appropriate Objects and Powers to undertake its designated role as the SDPA for the South East Region of Scotland (Edinburgh City Region).	Y	-	-
3	SESplan has appropriate policies and protocols for maintaining its Constitution and professional role as the SDPA for the Edinburgh City Region, including authority delegated to SESplan, and its leading roles and what they entail.	Y	(but see Section 3)	-
4	SESplan has appropriate arrangements for planning, providing and monitoring that it meets its professional obligations (e.g. public consultations, area boundaries, Main Issues Report, Strategic Environmental Assessment, SDP).	N	Mostly appropriate, but noted SESplan Constitution and related procedures do not advise complainants that if not satisfied with SESplan's initial response, referral to the Ombudsman (SPSO) is available.	1
5	SESplan has clear evidence that work / information required for future meetings is performed, including receipt of ratifications and delegations from all the Member Authorities.	Y	(but see Section 3)	-
6	SESplan has appropriate mechanisms for reporting on its professional role to Member Authorities, sponsors and the public.	Y	-	-

### 3. SESplan Administration

#### Control Objective

- 3.1 SESplan has clear arrangements, including agreements with Member Local Authorities, for providing, monitoring and reporting financial and other administrative support and obtaining best value.

#### Risk

- 3.2 Failure to fulfil the statutory requirements for producing and maintaining an SDP for the Edinburgh City Region.

#### Testing

- 3.3 Review and assess evidence on the SESplan website. Discuss with Project Board Chair, Treasurer (represented by Head of Finance and Business Partner) and SDP Manager, and obtain additional evidence, as appropriate.

	Control	OK	Comment	REC
1	SESplan has appropriate arrangements for obtaining and funding administrative support (financial, HR, legal services, etc).	Y	-	-
2	SESplan has appropriate arrangements for assessing, obtaining and monitoring best value.	Y	-	-
3	SESplan has Financial Regulations clearly setting out the obligations and responsibilities of SESplan and, where appropriate, Member Authorities.	Y	-	-
4	Operating budgets for the next financial year are proposed by the SDP Manager, approved by the SESplan Joint Committee and ratified by the Member Authorities by the end of December.	N	SESplan Constitution is worded for Member Authorities to ratify the Budget by December, rather than JC to approve by December subject to ratification by Member Authorities when they approve their budgets in the New Year.	2
5	The Treasurer, in conjunction with the SDP Manager, submits detailed monitoring reports to the SESplan Joint Committee twice a year.	N	The SDP Manager, in consultation with the Treasurer, submits the financial monitoring reports to the SESplan JC which, although appropriate, is contrary to the Financial Rules.	3

	<b>Control</b>	<b>OK</b>	<b>Comment</b>	<b>REC</b>
6	The financial reports compare actual expenditure to date and projected / final outturn expenditure with the budget position.	N	The financial monitoring reports to the SESplan JC contain appropriate information. However, the Treasurer's role is not referred to and procedures do not demonstrate reconciliation and agreement of SESplan and Financial Ledger figures, at least biannually, or prompt provision to SESplan of transaction processing details around year end.	4
7	SESplan monitors that Member Authorities fulfil their roles in providing administrative support and comply with SESplan's Financial Regulations, as follows: <ul style="list-style-type: none"> <li>• there is a SESplan financial ledger for recording and accounting for its transactions separately from those of Member Authorities;</li> <li>• Member Authorities are invoiced for their equal share of the costs;</li> <li>• Member Authorities invoice SESplan for services provided;</li> <li>• salaries and wages, including legitimate travel, hospitality and other expenses incurred in the course of duty, are properly processed and paid;</li> <li>• SESplan ensures that all expenditure incurred is valid and approved before a transaction is processed.</li> </ul>	Y	(But see points noted above)	-
8	SESplan has appropriate mechanisms for reporting on its accountability for public money to Member Authorities, sponsors and the public.	N	Mostly appropriate but the 2016/17 SESplan Annual Governance Statement made no specific reference to: best value / value for money; risk; the effectiveness of the controls; plans; or monitoring of action being taken.	5

## 4. Action Plan

RECOMMENDATION		ACTION PLAN				
Rec NO	Recommendation	Grading	Agreed Y/N	Proposed Action/Explanation	Pentana Assigned Officer	Timescale
1	SESplan should formally consider amending its Constitution, and related procedures, to advise complainants that if not satisfied with SESplan's initial response, referral to the Ombudsman (SPSO) is available.	Moderate	Y	This will be put to the Joint Committee meeting in June.	Pam Ewen Convener, SESplan Project Board (FC Senior Manager (Planning)	30/06/2018
2	SESplan should formally consider amending its Constitution for the Joint Committee to approve the Budget by December for Member Authorities to ratify in the New Year.	Moderate	Y	This will be put to the Joint Committee meeting in June.	Pam Ewen Convener, SESplan Project Board (FC Senior Manager (Planning)	30/06/2018
3	SESplan should formally consider amending its Financial Rules for it to be the SDP Manager, in consultation with the Treasurer, to submit appropriate financial monitoring reports to the SESplan Joint Committee.	Moderate	Y	This will be put to the Joint Committee meeting in June.	Pam Ewen Convener, SESplan Project Board (FC Senior Manager (Planning)	30/06/2018
4	Financial support arrangements should be improved to demonstrate reconciliation and agreement of SESplan and Financial Ledger figures, at least biannually, and prompt provision to SESplan of transaction processing details around year end.	Moderate	Y	Financial records and reports will confirm prompt exchange, reconciliation and agreement of financial information.	Pam Ewen Convener, SESplan Project Board (FC Senior Manager (Planning)	30/06/2018
5	The SESplan Annual Governance Statement should make specific reference to: best value / value for money; risk; the effectiveness of the controls; plans; monitoring of action being taken.	Moderate	Y	We will ensure that the Annual Governance Statement will include all the specific references required by the Accounts Regulations.	Pam Ewen Convener, SESplan Project Board (FC Senior Manager (Planning)	30/06/2018