

ITEM 9 – AUDITED ACCOUNTS AND REPORT OF ANNUAL AUDIT 2016 / 2017

Report by: Alice Miles, Acting SDP Manager

Purpose

This Report presents the SESplan Audited Accounts and Report of Annual Audit 2016 / 2017 for SESplan Joint Committee Consideration.

Recommendations

It is recommended that the SESplan Joint Committee:

1. Notes the Audited Accounts 2016 / 2017, attached as Appendix 1 to this Report and as signed by the Convener, Acting SDP Manager and SESplan Treasurer on the 26 September 2017; and
2. Notes the Report of Annual Audit 2016 / 2017, 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. Audited Accounts and Report of Annual Audit 2016 / 2017

- 1.1 At its meeting on the 26 June 2017, the SESplan Joint Committee noted the unaudited accounts for 2016 / 2017 and agreed that they be made available on the SESplan website for comment.

- 1.2 No comments were received and the accounts have now been audited. Both the accounts and report of annual audit are required to be signed by the Convener, Acting SDP Manager and Treasurer no later than the 30 September with the audited accounts laid before a meeting of the authority within two months of receipt of the documents.
- 1.3 The Audited Accounts for 2016 / 2017 are attached to this Report as Appendix 1, with the Report of Annual Audit included as Appendix 2. The key messages as noted on Page 5 of the Report of Annual Audit are:
- SESplan has appropriate financial budgeting arrangements in place which provide timely and reliable information for monitoring financial performance;
 - SESplan uses the corporate financial systems of Fife Council for its operations. These systems are operating satisfactorily;
 - SESplan's financial position is sustainable in the foreseeable future. It has a sufficient level of reserves in place and there is a medium term financial plan which aligns to the objectives of a strategic development planning authority.
 - SESplan has appropriate governance arrangements in place for an organisation of its size. It is open and transparent in the way that it conducts its business, with the public able to attend meetings of the Joint Committee. Minutes and agenda papers are readily available on the website.
 - 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.
- 1.4 The Action Plan for 2016 / 2017 notes that the change in personnel during the year and the way the remuneration has been reflected has resulted in an overstatement of senior employee salaries of £822. The Authority should ensure that the remuneration report complies with regulations in future years. The Action Plan also notes that although the unaudited accounts were available for review they were only advertised as being available for 13 working days rather than the 15 working days required. This was due to public holidays, with the accounts to be advertised for the correct period next year avoiding public holidays.

- 1.5 The Audited Accounts and Report of Annual Audit were signed by the SESplan Joint Committee Convener, Treasurer and Acting SDP Manager on the 26 September 2017 and are available on the [SESplan website](#).

Appendices

Appendix 1	Audited Accounts 2016 / 2017
Appendix 2	Report of Annual Audit 2016 / 2017

Report Contact

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SESplan

The Strategic Development Planning Authority
for Edinburgh and South East Scotland

SESplan

Annual Accounts 2016-17

Contents	Page
Management Commentary	1
Annual Governance Statement	3
Remuneration Report	6
Statement of Responsibilities	9
Independent Auditor's Report	10
Movement in Reserves Statement	13
Comprehensive Income and Expenditure Statement	14
Balance Sheet	15
Cash Flow Statement	16
Notes to the Financial Statements	17

MANAGEMENT COMMENTARY

INTRODUCTION

Four strategic development planning authorities (SDPAs) were designated by Scottish Ministers in May 2008 under Section 4 of the Planning etc. (Scotland) Act 2006. SESplan is the Strategic Development Planning Authority for Edinburgh and South East Scotland.

The membership of SESplan comprises 6 local authorities, these being East Lothian Council, City of Edinburgh Council, Fife Council, Midlothian Council, Scottish Borders Council and West Lothian Council.

The key role of SESplan is the preparation and maintenance of an up-to-date Strategic Development Plan (SDP). This process involves engaging key stakeholders and the wider community. The first SDP was approved by Scottish Ministers on 27 June 2013. The purpose of the SDP is to assess cross boundary issues between the 6 member authorities. These issues include housing, transport, employment, infrastructure and energy.

The SDP replaced the Edinburgh and Lothians Structure Plan, Fife Structure Plan and the Scottish Borders Structure Plan. Housing Land Supplementary Guidance, which provides further details on housing land requirements in support of the SDP, was formally adopted as part of the development plan by all SESplan authorities on 28 October 2014. The individual councils are now preparing Local Development Plans in order to implement the requirements of the approved SDP.

The Planning etc. Scotland (Act) 2006 Section 10(8) requires that a second proposed Strategic Development Plan (the Proposed Plan) must be submitted for Examination within 4 years of the approval of the current SDP i.e. no later than 27 June 2017.

As set out in the published Development Plan Scheme and reported to Joint Committee, work on the Proposed Plan began with early awareness raising in April 2014. This was followed by the preparation of a Main Issues Report (MIR2) which was published for a 10 week consultation on the 21 July 2015. A total of 240 consultees responded to MIR2 raising 2,765 comments.

These comments fed into the preparation of the Proposed Plan which was approved for publication by the SESplan Joint Committee on the 20 June 2016. Following ratification by each of the six member authorities, the Proposed Plan was published for a six week period for representations on the 13 October 2016. A total of 802 representations were received from 168 representees.

SESplan's future aims are to meet its statutory duties under the Planning etc. (Scotland) Act 2006 and to support secondary legislation. In particular, the authority will prepare, monitor and keep under review a Strategic Development Plan for Edinburgh and South East Scotland. To enable it to achieve these aims, SESplan will maintain effective governance and strategic management processes and apply effective project management. In 2016-17, SESplan published a Proposed Plan, Action Programme and supporting documents. In 2017-18, the Proposed Plan will be submitted to the Scottish Ministers and it is expected that the Ministers will approve the Plan in early 2018. SESplan is committed to producing statutory supplementary guidance to the Plan within one year of its approval. Following the publication of the independent review of the planning system in May 2016, the legislative framework within which SESplan operates may change but SESplan will continue to meet statutory requirements pending clarification of long term arrangements for development planning in Scotland. SESplan will continue to be supported by professional resources in the Core team and draw on additional resources from member authorities when required.

A report on the SESplan approach to risk management is considered by SESplan Joint Committee at the end of each calendar year. An update on risk management was considered by Committee in November 2016. This report is available at:

<http://www.sesplan.gov.uk/assets/Joint%20Committee/28%20November%202016/Item%205%20-%20Risk%20Management.pdf>

The previous holder of the post of Strategic Development Plan Manager retired from the post on 4 September 2016. The Project Board has ensured that professional support for the Joint Committee will continue to be provided in accord with SESplan's Constitution through the appointment of Alice Miles as Acting Strategic Development Plan Manager until the end of the SDP examination, this is currently scheduled for March 2018.

This management commentary is intended to provide a brief narrative on SESplan's financial position, as presented in these annual accounts for the financial year 2016-17.

The financial results for 2016-17 are set out in the following pages along with the accounting policies that have been adopted to ensure that the accounts present a true and fair view of the Authority's financial performance.

ACCOUNTING POLICIES

The Statement of Accounting Policies sets out the basis on which the financial statements have been prepared and explains the accounting treatment of both general and specific items.

FINANCIAL PERFORMANCE

The Comprehensive Income and Expenditure Statement shows that there was a surplus of £55,866 during 2016-17, which reflects the resources consumed during the year against the income generated. The expenditure in the year was £223,723 and related mainly to staffing, I.T costs and consultancy costs. This was funded from contributions from partners of £46,550 each, a total of £279,300.

During the year SESplan achieved an under-spend on budget of £62,613. This was mostly due to a saving of £50,161 on employee costs due to turnover at Acting Manager level. The activities of SESplan are cyclical which means that the organisation needs to use the reserve to cushion the impact of uneven cash flows. The cumulative surplus for the usable reserve is carried forward to 2017-18 and used to support all activities of the Authority.

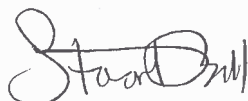
The Balance Sheet as at 31 March 2017 shows a net asset position of £91,315.



Eileen Rowand MBA, CPFA
Treasurer
26 September 2017



Alice Miles
Acting SDPA Manager
26 September 2017



Councillor Stuart Bell
Convenor of Joint Committee
26 September 2017

ANNUAL GOVERNANCE STATEMENT 2016-17

1.0 GOVERNANCE ARRANGEMENTS

1.1 The designation order which formally constituted the Edinburgh and South East Scotland Strategic Development Planning Authority (SDPA known as SESplan) came into force on the 25 June 2008. Paragraph 1.1 of the SESplan Constitution sets out that: 'The following planning authorities comprise the Strategic Development Planning Authority for the Edinburgh city region: the City of Edinburgh Council, East Lothian Council, Fife Council, Midlothian Council, Scottish Borders Council and West Lothian Council.' This group of authorities has a statutory duty under Section 4 of the Planning etc. (Scotland) Act 2006 to work together and prepare, and keep under review, a Strategic Development Plan (SDP) for the Edinburgh city region.

1.2 SESplan is made up of a Joint Committee comprising two Elected Members from each of the six member planning authorities, a Project Board (one Director / Head of Service from each member authority) and a Core Team. The Core Team is supported by an Operational Group (one Manager / Team Leader from each member authority) and a series of project teams, which include resources from each of the member authorities. Representatives of the key agencies also contribute to some project teams, for example on green networks, a place to do business and a better connected place.

1.3 The Joint Committee meets no less than twice per year to make decisions on the content and preparation of the SDP as well as the governance and finance of SESplan. The Committee is convened by one member authority, rotated ever two calendar years. Current convener is Scottish Borders Council with vice convener Fife Council. Fife Council will take office as convener on the 1 January 2018 with Midlothian to become the vice convener. A report on the rotation of convener and work plan for 2018 for the Joint Committee will be considered at the November 2017 meeting.

1.4 As described in the SESplan Constitution, all major decisions, for example about the content of the SDP, but with the exception of submission of the Proposed Plan to Scottish Ministers when no modifications are proposed, will require to be ratified by each of the six member authorities. The level of delegated authority to the Joint Committee is governed by a separate Scheme of Delegation.

1.5 The governance of SESplan was last reviewed in 2015.

1.6 The Project Board as set out in paragraph 1.2 above is made up of one senior officer from each member authority. The Project Board is responsible for the direction and management of SESplan including the programme for the preparation of the SDP, the work of the SDP Manager, agreeing reports for consideration by Joint Committee and ensuring that the decisions of the Joint Committee are implemented.

1.7 SESplan is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. SESplan also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of SESplan's affairs and facilitating the effective exercise of its functions which includes the management of risk.

1.8 In discharging this overall responsibility, SESplan has adopted practices which are consistent with the principles and reflects the requirements of the CIPFA / SOLACE (Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives and Senior Managers) Framework "Delivering Good Governance in Local Government".

1.9 SESplan has put in place appropriate management and reporting arrangements for the management of risk and a report on risk management is considered by Joint Committee at the end of each calendar year. An update on risk management was considered by Committee in November 2016 with the next update to be considered in November 2017.

1.10 It should be noted that a sound system of Corporate Governance and internal control provides only reasonable, but not absolute, assurance that SESplan will not be hindered in achieving its objectives or in the orderly and legitimate conduct of its business by circumstances which may reasonably be foreseen. A system of Corporate Governance and internal control cannot provide protection with certainty against an organisation failing to meet its objectives or material errors, losses, fraud, or breaches of laws or regulations.

2.0 Purpose of the governance framework

2.1 The governance framework comprises the structure; systems and processes, and culture and values by which the authority is directed and controlled and the activities by which it accounts to and engages with its customers and the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2 Key elements of good corporate governance include honesty, trust and integrity, openness, performance focus, responsibility and accountability, management of risk, mutual respect and commitment to the organisation. To that end the system of corporate governance and internal control in SESplan is based on a framework that includes:

- SESplan Constitution;
- Scheme of Delegation;
- SESplan Standing Orders;
- SESplan Financial Rules;
- SESplan Joint Committee Work Plan;
- Comprehensive training and development arrangements for councillors and employees;
- Comprehensive budgeting systems;
- Regular planning and performance management reports;
- Biannual finance reports which indicate actual and projected financial performance against budget;
- Setting and monitoring targets for financial and other performance;
- Embedding risk management within SESplan; and
- Other formal programme and project management disciplines as appropriate.

2.3 Fife Council acts as the employer of SESplan individuals as well as being the organisation through which SESplan records all expenditure. SESplan, as a result, also adheres to the following :

- Fife Council Code of Conduct for employees
- Parent authority's Code of Conduct for councillors
- Fife Council HR Plans and Policies

2.4 The Internal Audit function is provided by the Audit and Risk Management Services Division of Fife Council. It operates in accordance with the Public Sector Internal Audit Standards. The Division undertakes an annual programme of work approved by Fife Council's Standards and Audit Committee based on a five year strategic audit plan. The strategic audit plan is based on a formal risk assessment process and is amended on an ongoing basis to reflect evolving risks and changes within the Council. SESplan was not included in this annual programme for 2016 -2017 but is due to be reviewed in 2017 – 2018.

2.5 SESplan uses the corporate financial systems of Fife Council, which are subject to review by both the Council's internal audit service and its external auditor. There were no significant lapses in data security.

3.0 Review of effectiveness

3.1 SESplan has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review of effectiveness is informed by:

- The Audit & Risk Management Services Manager's annual assurance statement for Fife Council. In this regard, the most recent assurance statement states that the systems of Corporate Governance and internal control remain in the main robust with improvements in a number of areas and action being taken to address areas of weakness. In general, a medium level of control exists and reasonable assurance can be placed upon the adequacy and effectiveness of the Council's systems of Corporate Governance and internal control system in the year to 31 March 2017.

- comments made by the external auditors and other review agencies and inspectorates ;
- the review of various forms of customer and stakeholder feedback.

3.2 I am also clear that the Authority's financial management arrangements conform to the governance requirements of the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer in Local Government (2010).

4.0 Significant Governance Issues

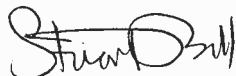
4.1 There are no significant governance issues. The governance of SESplan was last reviewed in 2015 and the arrangements comply with the Delivering Good Governance Framework.

5.1 Assurance

5.1 Having reviewed the above, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Authority's system of internal control.



Alice Miles
Acting SDPA Manager
26 September 2017



Councillor Stuart Bell
Convenor of Joint Committee
26 September 2017

REMUNERATION REPORT

All information disclosed in the tables contained within this Remuneration Report has been audited by Audit Scotland . The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements .

REMUNERATION ARRANGEMENTS**1. Senior Councillors**

No remuneration was paid by SESplan to the Local Authority Councillors who are members of the SESplan Joint Committee . There is therefore no information to report.

2. Senior Employees

Senior employees as defined in the Local Authority Accounts (Scotland) Regulations 2014 include any local authority employee -

(a) who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the financial year to which the Report relates, whether solely or collectively with other persons;

(b) who holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989(a); or

(c) whose annual remuneration, including any annual remuneration from a local authority subsidiary body, is £150,000 or more.

The following table provides details of the remuneration of SESplan's senior employees as defined by the Act.

Alice Miles salary comprises £2,720 for Acting Strategic Development Plan Manager 0.4 FTE Jan - Mar 2017, the balance is another post within SESplan.

Senior Employee	Post	2016-17			2015-16
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Ian Angus 1 FTE April 16 - Sept 16	Strategic Development Plan Manager (full year equivalent £60,538)	29,009	454	29,463	60,676
Alice Miles 0.4 FTE Jan 17 - Present	Acting Strategic Development Plan Manager (full year equivalent £39,177)	4,587	0	4,587	0

3. General Disclosure by Pay Band

Remuneration Bands	Number of Employees	
	2016-17	2015-16
£50,000- £54,999	0	0
£55,000- £59,999	0	1

4. Pension Benefits

Pension benefits for SESplan employees are provided through the Local Government Pension Scheme (LGPS). The LGPS is a funded scheme made up of contributions from employees and the employer. For local government employees this was a final salary pension scheme up until March 2015. This meant that pension benefits were based on the final years' pay and the number of years the person had been a member of the scheme. From April 2015, the scheme has changed to a career average (CARE) scheme but an employee's pre April 2015 pension will still be linked to his or her final salary.

The scheme's normal retirement age for employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non manual employees.

The 2016-17 members' contribution rates have not changed from the 2014-15 rates, but there has been a change to the tiers, as follows:

Actual Pay 2016-17	Contribution Rate 2016-17	Whole Time Pay 2015-16	Contribution Rate 2015-16
On earnings up to and including £20,500	5.50%	On earnings up to and including £20,500	5.50%
On earnings above £20,501 and up to £25,000	7.25%	On earnings above £20,501 and up to £25,000	7.25%
On earnings above £25,001 and up to £34,400	8.50%	On earnings above £25,001 and up to £34,400	8.50%
On earnings above £34,401 and up to £45,800	9.50%	On earnings above £34,401 and up to £45,800	9.50%
On earnings above £45,801	12.00%	On earnings above £45,801	12.00%

If a person works part-time their contribution rate is worked out on the actual pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. From April 2015 onwards, the pension will be built up at 1/49th of pensionable pay.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age, without exercising any option to commute pension entitlement into a lump sum and without any adjustment for the effects of future inflation.

The pension entitlement for the senior employee for the year to 31 March 2017 is shown in the table below, together with the contribution made by the council to the senior employee's pension during the year.

The Local Government Pension Scheme is a funded scheme with contributions from both the employer and the employee (see above for details) and as such the accrued benefits includes both of these contributions.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, including any service with a council subsidiary body, and not just their current appointment.

The accrued pension benefits for Alice Miles for the Acting Strategic Development Plan Manager post are £56 and employers contributions are £642, the balance relates to another post held within SESplan.

Senior Employee	Post	In-year employers contributions			Accrued Pension Benefits	
		For Year to	For Year to		As at	Difference from
		31 March 2017 £	31 March 2016 £		31 March 2017 £	31 March 2016 £
Ian Angus	Strategic Development Plan Manager	6,842	13,559	Pension	0	(41,000)
				Lump Sum	0	0
Alice Miles	Acting Strategic Development Plan Manager	1,083	0	Pension	6,025	6,025
				Lump Sum	0	0

Alice Miles
SDPA Manager
26 September 2017

Councillor Stuart Bell
Convenor of Joint Committee
26 September 2017

STATEMENT OF RESPONSIBILITIES

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Treasurer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to ensure the annual accounts are prepared in accordance with legislation (the Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- to approve the annual accounts for signature by 30 September.

I confirm that these annual accounts were approved for signature on behalf of SESplan on 26th September 2017.

Signed on behalf of Sesplan



Councillor Stuart Bell

Convenor of Joint Committee

RESPONSIBILITIES OF THE TREASURER

The Treasurer is responsible for the preparation of the authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the annual accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with legislation, and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Treasurer has also:

- kept adequate accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these accounts give a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2017.



Eileen Rowand MBA, CPFA

Treasurer

26 September 2017

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

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 the Strategic Development Planning Authority for Edinburgh and South East Scotland for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its surplus on the provision of services 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 2016/17 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 am independent of the body 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 Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Treasurer 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

My objectives are to achieve 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&I) 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.

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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters. In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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 and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

M. Tate

Pearl Tate CPFA
Senior Audit Manager
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

26 September 2017

MOVEMENT IN RESERVES STATEMENT

EXPLANATORY NOTE

This statement shows the movement in the year on the different reserves held by the organisation, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and unusable reserves. The (Surplus) or Deficit on the Provision of Services shows the true economic cost of providing the organisation's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the usable reserves. The unusable reserves consist of the Employee Statutory Adjustment Account which absorbs the differences that would otherwise arise on the usable reserves balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the usable reserves is neutralised by transfers to or from the account.

	Note	Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2016 carried forward		(42,675)	7,226	(35,449)
<u>Movement in Reserves during 2016-17</u>				
(Surplus) or deficit on provision of services		(55,866)	0	(55,866)
Other Comprehensive Expenditure and Income		0	0	0
Total Comprehensive Expenditure and Income		(55,866)	0	(55,866)
Adjustments between accounting basis & funding basis under regulations	4	6,026	(6,026)	0
(Increase)-Decrease in Year		(49,840)	(6,026)	(55,866)
Balance at 31 March 2017 carried forward		(92,515)	1,200	(91,315)
		Usable Reserves £	Unusable Reserves £	Total Reserves £
Balance at 31 March 2015 carried forward		(50,836)	5,260	(45,576)
<u>Movement in Reserves during 2015-16</u>				
(Surplus) or deficit on provision of services		10,127	0	10,127
Other Comprehensive Expenditure and Income		0	0	0
Total Comprehensive Expenditure and Income		10,127	0	10,127
Adjustments between accounting basis & funding basis under regulations	4	(1,966)	1,966	0
(Increase)-Decrease in Year		8,161	1,966	10,127
Balance at 31 March 2016 carried forward		(42,675)	7,226	(35,449)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

EXPLANATORY NOTE

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices

2015-16 Gross Expenditure £	2015-16 Gross Income £	2015-16 Net Expenditure £	Notes	2016-17 Gross Expenditure £	2016-17 Gross Income £	2016-17 Net Expenditure £
222,729		222,729	Employee Costs	178,138		178,138
7,453		7,453	Premises Related Expenditure	7,376		7,376
4,722		4,722	Transport Related Expenditure	3,434		3,434
54,739		54,739	Supplies & Services	34,775		34,775
	0	0	Income		0	0
289,643	0	289,643	Cost Of Services	223,723	0	223,723
	(216)	(216)	Financing & Investment Income & Expenditure		(289)	(289)
(279,300)	(279,300)		Requisitions from Member Authorities	7	(279,300)	(279,300)
		10,127	(Surplus) or Deficit on Provision of Services	223,723	(279,589)	(55,866)
	0	0	Other Comprehensive Income & Expenditure		0	0
		10,127	Total Comprehensive Income & Expenditure	223,723	(279,589)	(55,866)

There are no statutory or presentation adjustments which affect SESplan's application of the funding. The presentation in the Comprehensive Income & Expenditure Statement is as reported at the SESplan Committee.

Consequently, an Expenditure and Funding Analysis is not provided in these Annual Accounts.

BALANCE SHEET

EXPLANATORY NOTE

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by SESPlan. The net assets of the organisation (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the organisation may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2016	Balance Sheet as at 31 March	Notes	31 March 2017
£			£
12,450	Debtors and Pre-payments	5	11,617
74,464	Advance to Fife Council Loans Fund	8	97,151
<u>86,914</u>	Current Assets		<u>108,768</u>
 (51,465)	Creditors	6	 (17,453)
<u>(51,465)</u>	Current Liabilities		<u>(17,453)</u>
 <u>35,449</u>	Net Assets		 <u>91,315</u>
 (42,675)	Usable Reserves		 (92,515)
7,226	Employee Statutory Adjustment Account	4	1,200
 <u>(35,449)</u>	Total Reserves		 <u>(91,315)</u>

The unaudited accounts were issued on 30 June 2017 and the audited accounts were authorised for issue on 26 September 2017.



Eileen Rowand, MBA, CPFA
Treasurer
26 September 2017

CASH FLOW STATEMENT

EXPLANATORY NOTE

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. SESplan does not generate any cash inflow through investing or financing activities.

2015-16	Notes	2016-17
£ Operating Activities		£
<u>Cash Outflows</u>		
213,881 Cash paid to and on behalf of employees		159,767
67,307 Other operating cash payments		<u>97,135</u>
281,188 Total Payments		256,902
<u>Cash Inflows</u>		
(216) Interest received in cash		(289)
(279,300) Other operating cash receipts		<u>(279,300)</u>
(279,516) Total Receipts		(279,589)
1,672 Net Cash Outflow-(Inflow) from Operating Activities	9	(22,687)
1,672 Net Decrease(Increase) in Cash-Cash Equivalents		(22,687)
 76,136 Cash and cash equivalents at the beginning of the period		 74,464
74,464 Cash and cash equivalents at the end of the period	8	97,151

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

A) GENERAL PRINCIPLES

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17. The accounts are prepared in accordance with the fundamental accounting principles in terms of the characteristics required, the materiality of the information involved and the accounting concepts underlying the preparation of the accounts. The two essential fundamental characteristics are that the financial information is relevant and is a faithful representation of the authority's financial performance. The desirable qualitative characteristics of the financial information are that they are comparable, verifiable, timely and understandable. Every attempt has been made to ensure these characteristics have been achieved. In compiling these accounts underlying assumptions have been made. These are that the accounts should be on the accrual basis; that the organisation is a going concern, and the primacy of legislation.

In calculating relevant figures for the accruals suitable estimation techniques have been used, using previous years' experience, relevant data and the guidance contained within the Code.

Fife Council is acting as the lead authority for the financial matters in relation to SESplan, therefore, the accounting policies and concepts applied are consistent with those of Fife Council. Those which are relevant for SESplan are detailed in this document.

B) ACCRUALS OF INCOME & EXPENDITURE

In accordance with the Code, the annual accounts have been compiled on an accruals basis. Accruals are made for all material debtors and creditors within the accounts. Accruals have been made for payroll costs where pay has been earned but not paid, supplies and services where they have been received or consumed within the financial year, for interest due and payable on external borrowings and for customer and client receipts due and receivable in the period to which they relate.

The main accrual bases used are as follows :

Payroll Costs : A calculation of the salaries and wages paid in 2017-18 which relate to 2016-17 is made and accrued back to 2016-17 based on the number of days which relate to the period to 31 March 2017.

Travelling Expenses: Estimate of claims paid in 2017-18 that relate to 2016-17.

Holiday Pay: Based on the employees' holiday and flexi leave earned during 2016-17 but not taken by 31 March 2017.

Supplies and Services : Based on purchase ordering and goods receipting information held in the Council's financial systems and by SESplan.

Interest: Based on Fife Council's Investment and Banking team's records of external and internal loans.

C) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

D) PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error . There have been none for this period.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. There have been none for this period.

E) EMPLOYEE BENEFITS & PENSION COSTS

Benefits Payable During Employment

The staff of SESplan are directly employed by Fife Council. All salaries and wages, including any pension related costs, are paid through the Fife Council payroll system and charged to SESplan accounts as they are incurred.

All salaries and wages earned up to 31 March 2017 are included in the Accounts irrespective of when payment was made. An accrual is made for the cost of holiday and flexi leave entitlements earned by employees, but not taken before the year end, which employees may carry forward into the next financial year.

F) EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are those events, both favourable and unfavourable , that occur between the end of the reporting period and the date when the annual accounts are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period - the annual accounts are adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period -the annual accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the annual accounts.

There were no events after the reporting period relevant to SESplan.

G) VALUE ADDED TAX

VAT is included within the relevant revenue or capital accounts only to the extent that it is not recoverable from HM Revenue and Customs. Fife Council manages VAT on behalf on Sesplan.

H) RESERVES

SESplan has a usable reserve which is the accumulated surplus of income received less expenditure incurred. This will be used to fund costs in subsequent financial years . It also has an unusable reserve which reflects the accumulated absences earned by staff but not taken by the end of the financial year.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the annual accounts is that there is a high degree of uncertainty about future levels of funding for local government. As SESplan is wholly funded through contributions from the six local authority members, this has implications for the levels of funding available to SESplan in future years. However, the authority has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to reduce levels of service provision.

3. AUDIT COSTS

The authority has agreed the following fees in respect of the audit work relating to the respective financial years:

2015-16		2016-17
£		£
3,380	Fee for Appointed Auditors	2,770

This is included in the Supplies & Services line of the Comprehensive Income & Expenditure Statement.

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

2015-16		2016-17
£		£
(5,260)	Settlement or cancellation of accrual made at the end of the preceding year	(7,226)
7,226	Amounts accrued at the end of the current year	1,200
	Amount by which officer remuneration charged to CI&ES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
<u>1,966</u>	Net adjustments	<u>(6,026)</u>

5. DEBTORS

2015-16		2016-17
£		£
10,000	Non-government Entities & Individuals	9,167
2,450	Scottish Government	2,450
<u>12,450</u>		<u>11,617</u>

6. CREDITORS

2015-16		2016-17
£		£
9,682	Other Local Authorities	5,591
41,783	Other Entities and Individuals	11,862
<u>51,465</u>		<u>17,453</u>

7. RELATED PARTY TRANSACTIONS & BALANCES

SESplan is required to disclose material transactions with related parties i.e. bodies or individuals that have the potential to control or influence it or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

For SESplan, these related parties are the 6 local authorities which are the members of the organisation, i.e. East Lothian Council, City of Edinburgh Council, Fife Council, Midlothian Council, Scottish Borders Council and West Lothian Council. During the year SESplan received £46,550 as a funding contribution from each of the above related parties (2015-16, £46,550 from each). The total contributions from the members amounted to £279,300 in 2016-17 (2015-16, £279,300). Payments in 2016/17 were City of Edinburgh Council £5,482 and West Lothian Council £9,955 (2015-16 City of Edinburgh Council £4,496, West Lothian Council £9,953 and Scottish Borders Council £11,910).

SESplan is located at premises at West Lothian Council. For more information see Note 10.

Fife Council manages SESplan's cash reserves. More details relating to this can be found in Note 8.

There were no amounts due from related parties at 31 March 2017. The amounts due to related parties at that date were:

2015-16		2016-17
£		£
0	City of Edinburgh Council	5,232
9,682	West Lothian Council	359

8. ANALYSIS OF INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS

2015-16		2016-17
£		£
76,136	Balance at 1 April	74,464
(1,672)	Advance to or from other accounts	22,687
<u>74,464</u>	Balance at 31 March	<u>97,151</u>

This is an advance to Fife Council's Loans Fund. Fife Council manages the cash on behalf of SESplan.

9. RECONCILIATION OF (SURPLUS)/DEFICIT ON INCOME AND EXPENDITURE TO THE CASH FLOW STATEMENT

2015-16		2016-17
£		£
10,127	(Surplus) or Deficit on the Comprehensive Income and Expenditure Statement	(55,866)
2,450	Increase or (Reduction) in Debtors	(833)
(10,905)	(Increase) or Reduction in Creditors	34,012
<u>1,672</u>	Net Cash Outflow-(Inflow) From Operating Activities	<u>(22,687)</u>

10. LEASES

SESplan is located at premises at West Lothian Council. The lease runs until 31 March 2017 and the costs are charged to the Comprehensive Income and Expenditure Statement. For 2016-17 the rent was £3,380 and service charges were £3,996. Rent has been agreed at £2,028 for 2017/18 and service charges are estimated at £2,392, subject to an annual review. The reduction is due agreed reduction in desk space.

11. PENSION SCHEME ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEME

SESplan's members of staff are employed by Fife Council and as such they are entitled to be members of the Superannuation Scheme which is administered by Fife Council. This provides staff with defined benefits upon their retirement and SESplan contributes towards the costs by making contributions based on a percentage of members' pensionable salaries .

SESplan is not a member of the Fife Pension Fund, and therefore has no underlying liabilities or obligations to the fund for SESplan's members of staff. Any liabilities or obligations would fall to Fife Council.

In 2016-17, SESplan paid £29,955 (£35,850 in 2015-16) in respect of superannuation contributions representing 23.6% of pensionable pay of those individuals who have joined the scheme (2015-16: 22.7%).

The employing authority is responsible for all pension payments related to "added years" it has awarded, together with related increases. Fife Council, as the employing authority, has made no awards during 2016/17.

12. EVENTS AFTER THE BALANCE SHEET

There were no events after the reporting period relevant to SESplan.



The Strategic Development Planning Authority for Edinburgh and South East Scotland

2016/17 Annual Audit Report



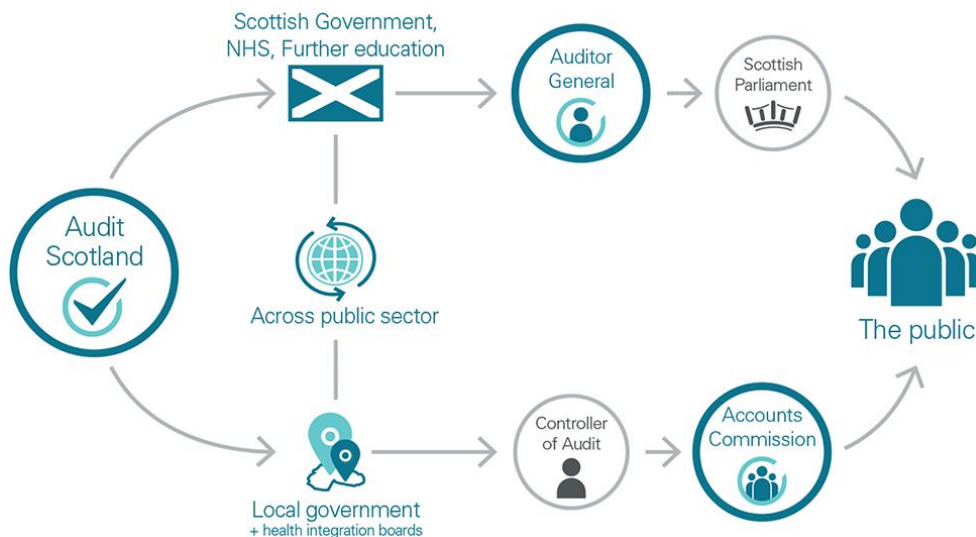
To Members of the Strategic Development Planning Authority for Edinburgh and South East Scotland and
the Controller of Audit

26 September 2017

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.

Contents

Key messages	5
Introduction	6
Part 1	8
Audit of 2016/17 annual report and accounts	
Part 2	11
Financial management	
Part 3	13
Financial sustainability	
Part 4	14
Governance and transparency	
Part 5	16
Value for money	
Appendix 1	17
Action plan 2016/17	
Appendix 2	18
Significant audit risks identified during planning	
Appendix 3	20
Summary of national performance reports 2016/17	

Key messages

Audit of the 2016/17 annual accounts

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

Financial management

- 2 SESplan has appropriate financial budgeting arrangements in place which provide timely and reliable information for monitoring financial performance.
- 3 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.

Financial sustainability

- 4 SESplan's financial position is sustainable in the foreseeable future. It has a sufficient level of reserves in place and there is a medium term financial plan which aligns to the objectives of a strategic development planning authority.

Governance and transparency

- 5 SESplan has appropriate governance arrangements in place for an organisation of its size.
- 6 It is open and transparent in the way that it conducts its business, with the public able to attend meetings of the Joint Committee. Minutes and agenda papers are readily available on the website.

Value for money

- 7 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.

Introduction

1. This report is a summary of the findings arising from the 2016/17 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 Annual Audit Plan presented to SESplan's March 2017 meeting. This report comprises:
 - an audit of the annual accounts
 - consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
 - an interim audit of SESplan's main financial systems and governance arrangements
 - an audit of SESplan's 2016/17 annual accounts and issue of an independent auditor's report setting out our opinions.
4. SESplan is responsible for preparing a annual accounts that show a true and fair view and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements which enables it to successfully deliver its objectives.

5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.
6. These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within SESplan to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
8. This report raises matters from the audit of the annual accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
9. Our annual audit report contains an action plan at [Appendix 1](#) which sets out specific recommendations, responsible officers and dates for implementation.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. 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.
12. We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

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

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by SESplan on 26 September 2017. We reported, within our independent auditor's report:
 - an unqualified opinion on the financial statements
 - unqualified opinions on the management commentary, remuneration report and annual governance statement.
14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

SESplan's annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Submission of SESplan's annual accounts for audit

15. We received the unaudited annual accounts on 30 June 2017, in line with the audit timetable set out in our 2016/17 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 final accounts process ran smoothly.

Risk of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and conclusions.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual accounts was undertaken during the planning phase of the audit. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£2,300
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of overall materiality.	£1,400
Reporting threshold (i.e. clearly trivial) – 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 4% of overall materiality, rounded up to £100.	£100

How we evaluate misstatements

20. Our audit testing found one invoice included in expenditure for £1,500 which related to 2017/18 and therefore did not form part of this year's accounts. As a result both the surplus for the year and the net reserves were understated by this amount.
21. The Remuneration Report disclosure should identify the remuneration earned by senior officers. The individuals included in the report are paid through Fife Council's payroll system which has a four-weekly pay period. The SDPA Manager post-holder changed during the year and the remuneration report reflects the amounts actually paid to these two individuals rather than the amounts earned. This is not in accordance with the underlying regulation which requires "*The Remuneration Report for each financial year is to show, in tabular form, against the post held and name of each relevant person the total amounts (before tax and other deductions), whether received or receivable, by each relevant person from the local authority or, as the case may be, local authority subsidiary body*". The reference to "or receivable" indicates that the remuneration report should be prepared on an accruals basis. The existing treatment results in an overstatement of senior employee salaries of £822 (2.4%) in the Remuneration Report, however we have decided this is not material to the overall understanding of the accounts.

Action Plan (Appendix 1, point 1).

22. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. Management do not propose to adjust for the items above as the amounts are not considered material in the

context of the financial statements. We agree that these amounts are not material.

Significant findings

- 23.** International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are no other significant matters to be reported.

Going concern

- 24.** In January 2017 the Scottish Government published *Places, People and Planning*, setting out an integrated package of proposed improvements to planning. This confirmed the Scottish Government's intention to "bring forward changes to remove current requirements for strategic development plans to be prepared and replace them with more flexible, but clearly defined duties and powers at this scale." Whilst this clearly impacts on SESplan it is not expected to happen within the next 12 months and therefore the financial statements have been prepared on the going concern basis.

Other findings

- 25.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.
- 26.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority body 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 which is 15 working days. Although the accounts were available for review in accordance with the regulations they were only advertised as publically available for 13 working days. The advert should also include details of the auditor and whilst the website identified Audit Scotland as the appointed auditor it did not provide the name of the engagement lead, Pearl Tate. We noted that no requests were made to inspect the SESplan accounts.

Action Plan (Appendix 1, point 2).

Part 2

Financial management



Main judgements

SESplan has appropriate financial budgeting arrangements in place which provide timely and reliable information for monitoring financial performance.

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.

Financial management

27. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is SESplan's responsibility to ensure that its financial affairs are conducted in a proper manner.
28. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the Treasurer has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within SESplan
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders.
29. During the course of our audit, we confirmed that the financial management arrangements are appropriate for an organisation the size of SESplan. The Treasurer, as section 95 officer, is responsible for ensuring proper accounting records are kept. SESplan has adopted Fife Council's financial regulations, which we have assessed and found to be adequate and SESplan's biannual monitoring reports provide members with sufficient information about its financial performance.

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

Financial performance in 2016/17

30. The SESplan financial regulations require the operating budget for the next year to be agreed each December. The operating budget 2016/17 was approved by the Joint Committee in December 2015 and planned for net expenditure of £5,786.
31. Actual performance for the year was an underspend against the 2016/17 operating budget of £61,652 as demonstrated in Exhibit 3 and resulted in an accounting surplus on the provision of services of £55,866. These

underspends were due to having a vacancy between the previous SDP Manager retiring and the Acting SDP Manager being appointed as well as achieving reduced IT and consultancy costs.

Exhibit 3

Budget Summary

SESplan budget summary	Budget £	Actual £	Variance £
Net (Income)/Expenditure	5,786	(55,866)	(61,652)
Reserves (Note 1)	29,663	91,315	61,652

Source: SESplan Annual Accounts 2016/17

Note 1 – the budgeted reserve figure here is the opening position less the budgeted net expenditure (£35,449 - £5,786)

Internal controls

32. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of 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.
33. 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, the key financial systems are operating satisfactorily. 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.
34. 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 *"The system of corporate governance and internal control remain, in the main, robust, with improvements in a number of areas and action being taken to address areas of weakness"*. We considered the impact of these weaknesses in relation to SESplan, identifying one area (access to the general ledger) that was relevant. This is covered in Appendix 2, point 3 and no issues were identified which would have impacted on SESplan.

Prevention and detection of fraud

35. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed SESplan's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, fraud prevention and fraud response plan.
36. Based on the evidence reviewed by us, we concluded that SESplan has adequate arrangements in place for the prevention and detection of fraud although it should be noted that no system can eliminate the risk of fraud entirely.

Part 3

Financial sustainability



Main judgements

SESplan's financial position is sustainable in the foreseeable future. It has a sufficient level of reserves in place and there is a medium term financial plan which aligns to the objectives of a strategic development planning authority.

Financial planning

- 37.** It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the organisation's strategies. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering at least three years) that forecast the impact of relevant pressures.
- 38.** SESplan has a medium term financial plan in place (2017-20) aligned to the objectives of a strategic development authority, mainly the development of a strategic development plan for the area. The income from constituent members for each of the three years was set at £46,550. This level was agreed in principle when the 2017/18 budget was approved in December 2016 and reconsidered in March 2017, with member contributions being reduced to £44,000. The reduction of £15,300 is to be taken from reserves. The budget already included £21,974 to be taken from reserves therefore the overall reduction as part of the 2017/18 budget will be £37,275.

Reserves

- 39.** One of the key measures of the financial health of an organisation is the level of reserves held. SESplan has both a usable and an unusable reserve, the latter reflects accumulated leave earned by staff but not taken before 31 March 2017.
- 40.** The usable reserve is the largest balance 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 £20,000 usable reserves sufficient to cover approximately one month's expenditure.
- 41.** As highlighted at paragraph 30 the 2016/17 budget anticipated using £5,786 however an underspend on expenditure in the year resulted in the reserves increasing from £42,675 to £92,515. This equates to almost five months expenditure. The increasing level of reserves had been raised by audit in 2015/16 and it was agreed at that point that the level held would be considered as part of the 2017/18 operating budget proposal. As highlighted at paragraph 38 this action has been implemented. We will continue to monitor the level of reserves going forward.

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

Part 4

Governance and transparency



Main Judgements

SESplan has appropriate governance arrangements in place for an organisation of its size.

It is open and transparent in the way that it conducts its business, with the public able to attend meetings of the Joint Committee. Minutes and agenda papers are readily available on the website.

Governance arrangements

- 42. 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.
- 43. 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.
- 44. 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, 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.
- 45. Overall we have concluded that the governance arrangements in place are appropriate for an organisation the size of SESplan.

Management commentary, annual governance statement and remuneration report

- 46. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires local government authorities to prepare and publish, along with their financial statements, an annual governance statement, management commentary and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- 47. Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements, and that disclosures were consistent with reporting requirements.

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.

Internal audit

- 48.** Internal audit provides management and members with independent assurance on SESplan's overall risk management, internal control and corporate governance processes. The internal audit function is carried out by Fife Council's Audit and Risk Management Service (ARMS); and as highlighted at paragraph 34, SESplan has taken assurance from the internal audit work done on the Fife Council systems this year as there were no planned internal audit reviews for SESplan.
- 49.** Specific internal audit work is scheduled to be undertaken by ARMS in 2017/18 and we will consider this work as part of our 2017/18 audit.

Transparency

- 50.** Transparency means that the public, in particular local residents have access to understandable, relevant and timely information about how SESplan is taking decisions and how it is using resources such as money, people and assets.
- 51.** There is evidence from its website which demonstrate SESplan's commitment to transparency. Members of the public can attend meetings of the Joint Committee and minutes of these meetings and supporting papers are readily available on the website.
- 52.** SESplan makes both its unaudited and audited annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties faced.
- 53.** Overall, we concluded that SESplan conducts its business in an open and transparent manner

Part 5

Value for money



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.

Overview of performance targets

- 54.** The Joint Committee receives 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 enabling members to monitor performance and hold officers to account on key delivery targets.
- 55.** In 2016/17, the key objective for SESplan was the production of a Strategic Development Plan 2 for consultation in June 2016. The performance report highlighted that there had been above average engagement with the public achieved through the consultation process. SESplan's Joint Committee approved the Strategic Development Plan 2 for submission for Examination to the Scottish Government in June 2017.
- 56.** In addition, SESplan has committed to supporting the Scottish Government's Planning Review, which has set out the abolishment of Strategic Development Planning Authorities (SDPAs), which will be replaced by Regional Working Partnerships. In order to achieve this transition, SESplan will work with the Scottish Government and other SDPAs to develop the roles and remit of the Regional Working Partnerships.

National performance audit reports

- 57.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to SESplan. These are outlined in [Appendix 3](#).

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<p>1. Remuneration Report</p> <p>The SDPA Manager post-holder changed during the year and the remuneration report reflects the amounts actually paid to these individuals rather than the amounts earned (it ignores year end pay accruals). This resulted in an overstatement of senior employee salaries of £822 (2.4%)</p> <p>Risk</p> <p>The Authority's remuneration report does not accurately reflect the payments earned by officers.</p>	<p>Whilst we accept that the overall error was not material the Authority should ensure that the remuneration report complies with the regulations and includes amounts earned in the year and not just the payments made.</p>	<p>Regulations will be reviewed and remuneration report updated accordingly.</p> <p>Finance Operations Manager.</p> <p>31 March 2018.</p>
10	<p>2. Advertising accounts</p> <p>Although the accounts were available for review in accordance with the regulations they were only advertised as publically available for 13 working days. The advert should also include details of the auditor and whilst the website identified Audit Scotland as the appointed auditor it did not provide the name of the engagement lead, Pearl Tate.</p> <p>Risk</p> <p>The Authority does not fully comply with the statutory requirement period for advertising the accounts for public inspection</p>	<p>The unaudited accounts should be made publicly available for 15 working days and the name of the engagement lead should be included in the advert.</p>	<p>Process for the advertisement will be reviewed and included in Year End Timetable to ensure guidance complied with. Sesplan will ensure clear link on Sesplan website.</p> <p>Finance Operations Manager & Acting Strategic Development Plan Manager.</p> <p>31 March 2018</p>

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 opinion on the financial statements.





















Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Risk of management override of controls 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.	<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. 	Results – Our work on journals, accounting estimates, accruals, prepayments and significant transactions did not identify any indication of management override. Conclusion – No issues were identified that indicate a management override of control.
2 Changes to key personnel and accounting requirements There have been a number of changes to key personnel during the year. This includes the retirement of the Manager (post vacant as at February 2017) and the accountant previously responsible for preparing the financial statements. As it will be new staff involved in the accounts process this year there is a risk that there will be omissions or errors which could impact on the completeness and accuracy of the financial statements.	<ul style="list-style-type: none"> Ongoing communication with finance staff to ensure they are aware of changes impacting on the 2016/17 accounts. Review of disclosure checklists. Review of account closedown procedures Detailed testing of transactions and year end balances above performance materiality. 	Results – We remained in contact with those responsible for preparation of the financial statements to ensure that changes to the accounts were known. In addition, there were no issues identified through review of the disclosure checklist or Fife Council's closedown procedures. There were no issues relating to detailed testing of transactions and year end balances. Conclusion – The changes to key personnel and accounting requirements have not impacted on the production of the audited annual accounts.
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
3 User Access to Finance Systems The finance systems (Oracle ERP) used by SESplan are provided by Fife Council. The council's external auditor has highlighted a lack of regular user access review and scrutiny	<ul style="list-style-type: none"> Detailed testing of transactions and balances above performance materiality 	Results – We undertook detailed testing of transactions and balances and did not identify any issues relating to user actions. Conclusion – No issues were identified that suggest that unauthorised transactions were processed.

Audit risk	Assurance procedure	Results and conclusions
of user actions resulting in a risk of unauthorised transactions being processed. This is also a risk for SESplan.		

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

Local government relevant reports

Local Government in Scotland: Financial overview 2015/16 – November 2016

Local Government in Scotland: Performance and challenges 2017 – March 2017

SESplan

2016/17 Annual Audit Report

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