

# **GLASGOW AND THE CLYDE VALLEY STRATEGIC DEVELOPMENT PLANNING AUTHORITY JOINT COMMITTEE**

**To:** Joint Committee

**On:** 10 September 2018

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**Report by:** Audit Scotland

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**Heading:** Annual Audit Report 2017-18

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## **1. Summary**

- 1.1 At the meeting of the Joint Committee on 11 June 2018 a report on the unaudited accounts for the year ended 31 March was noted.
  - 1.2 The audit certificate issued by Audit Scotland provides an unqualified opinion that the annual accounts presents a true and fair view of the financial position of the Joint Committee as at 31 March 2018, in accordance with the accounting policies detailed in the accounts.
  - 1.3 A member of the Audit Scotland team will present this report and answer any questions.
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## **2 Recommendations**

- 2.1 It is recommended that members note the report by Audit Scotland.
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10 September 2018

## **Glasgow and the Clyde Valley Strategic Development Planning Authority**

### **Audit of 2017/18 annual accounts**

#### **Independent auditor's report**

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 12 September 2018 (the proposed report is attached at [Appendix A](#)).

#### **Annual audit report**

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Joint Committee's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions based on our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. As outlined within our Annual Audit Plan due to the nature and size of Glasgow and the Clyde Valley Strategic Development Planning Authority (Clydeplan), we have assessed the extent of wider dimensions work and concluded that a reduced scope, as outlined in paragraph 53 of the Code of Audit Practice, can be applied.
4. This report will be issued in final form after the annual accounts have been certified.

#### **Unadjusted misstatements**

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

## **Representations from Section 95 Officer**

6. As part of the completion of our audit, we are seeking written representations from the Treasurer on aspects of the annual accounts, including the judgements and estimates made.
7. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

## **APPENDIX A: Proposed Independent Auditor's Report**

### **Independent auditor's report to the members Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee 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 Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of Glasgow and the Clyde Valley Strategic Development Planning Authority as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 Glasgow and the Clyde Valley Strategic Development Planning Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern basis of accounting**

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

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

## **Responsibilities of the Treasurer and the Joint Committee for the financial statements**

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

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

The Joint Committee is responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit 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) 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.

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

## **Other information in the annual accounts**

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, the audited 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 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 audited 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.

Mark Ferris

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September 2018





## APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris  
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Dear Mark

### **Glasgow and the Clyde Valley Strategic Development Planning Authority Annual Accounts 2017/18**

1. This representation letter is provided in connection with your audit of the annual accounts of Glasgow and the Clyde Valley Strategic Development Planning Authority for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Strategic Development Plan Manager, the following representations given to you in connection with your audit of Glasgow and the Clyde Valley Strategic Development Planning Authority's annual accounts for the year ended 31 March 2018.

### **General**

3. Glasgow and the Clyde Valley Strategic Development Planning Authority and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Glasgow and the Clyde Valley Strategic Development Planning Authority have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Glasgow and the Clyde Valley Strategic Development Planning Authority at 31 March 2018 and the transactions for 2017/18.

## **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Glasgow and the Clyde Valley Strategic Development Planning Authority circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

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

## **Assets**

10. The assets shown in the Balance Sheet at 31 March 2018 were owned by Glasgow and the Clyde Valley Strategic Development Planning Authority, other than assets which have been purchased under finance leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

11. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
12. The accrual recognised in the financial statements for holiday untaken by 31 March 2018 has been estimated on a reasonable basis.
13. The pension assumptions made by the actuary in the IAS 19 report for Glasgow and the Clyde Valley Strategic Development Planning Authority have been considered and I confirm that they are consistent with management's own view.
14. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

## **Fraud**

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

## **Laws and Regulations**

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

## **Related Party Transactions**

17. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all the Authority's related parties and all the related party relationships and transactions of which I am aware.

## **Remuneration Report**

18. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management commentary**

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

## **Corporate Governance**

20. I confirm that the Glasgow and the Clyde Valley Strategic Development Planning Authority has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
21. I confirm that the Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

## **Events Subsequent to the Date of the Balance Sheet**

22. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
23. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

## **Prior Year Restatements**

24. I confirm the prior year restatement in respect of project income and expenditure in the Comprehensive Income and Expenditure Statement is accurate and in line with accounting records.

Yours sincerely

Treasurer

# Glasgow and the Clyde Valley Strategic Development Planning Authority

2017/18 Annual Audit Report



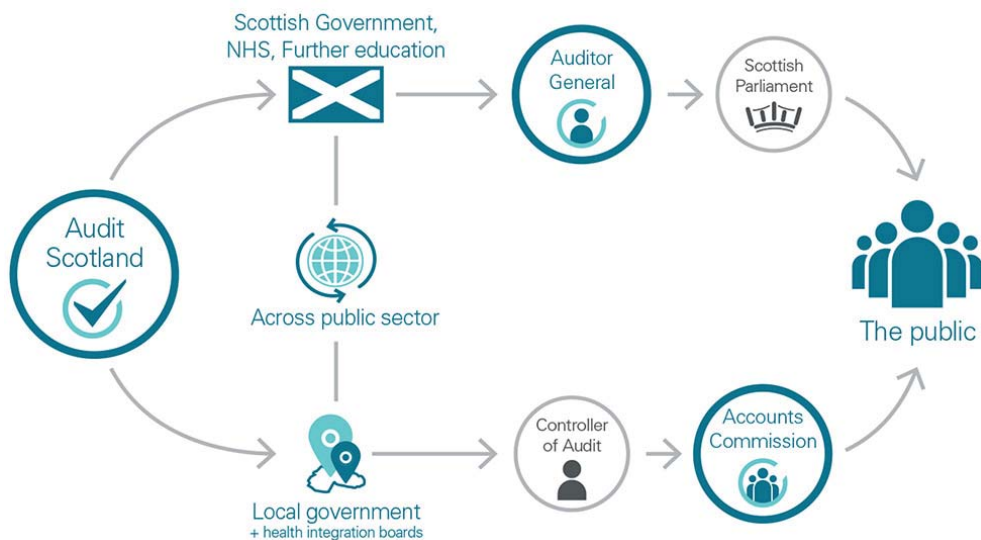
Prepared for Members of the Glasgow and the Clyde Valley Strategic Development Planning Authority  
Joint Committee and the Controller of Audit

10 September 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.

# Contents

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Key messages	4
Introduction	5
Part 1	7
Audit of 2017/18 annual report and accounts	
Part 2	11
Financial sustainability and governance statement	
Appendix 1	13
Action plan 2017/18	
Appendix 2	14
Significant audit risks identified during planning	

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# Key messages

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## 2017/18 annual report and accounts

- 1** In our opinion, Glasgow and the Clyde Valley Strategic Planning Authority's financial statements give a true and fair view and were properly prepared, and expenditure and income was in accordance with applicable enactments and guidance.
- 2** The audited part of the Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.
- 3** Project income and expenditure was not recognised on the Comprehensive Income and Expenditure Statement. This resulted in income and expenditure being understated in 2016/17 and 2017/18.
- 4** The pension fund liability on the balance sheet was overstated. This was due to asset return assumptions in the actuary's report being significantly different to actual returns.

## Financial sustainability and governance statement

- 5** A deficit of £0.012 million was delivered against a budgeted breakeven position and this was managed through the use of reserves.
- 6** We concluded that the information in the Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.



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# Introduction

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**1.** This report summarises the findings from our 2017/18 audit of Glasgow and the Clyde Valley Strategic Development Planning Authority (Clydeplan).

**2.** The scope of our audit was set out in our Annual Audit Plan presented to the 10 March 2018 meeting of the Joint Committee. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the financial sustainability and Governance Statement

**3.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:

- financial sustainability
- financial management
- governance and transparency
- value for money.

**4.** The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Governance Statement and the financial sustainability of the body and its services.

**5.** As highlighted in our [2017/18 Annual Audit Plan](#) (paragraph 21), due to the volume and lack of complexity of the financial transactions, and nature and size of Clydeplan, we applied the small body provisions of the Code to the 2017/18 audit of Clydeplan.

**6.** Clydeplan has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. Clydeplan is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**7.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2016](#), and guided by the auditing profession's ethical guidance.

**8.** As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the Governance Statement disclosures. In doing this, we aim to support improvement and accountability.

**9.** The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**10.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

**11.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £2,810 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

### **Adding value through the audit**

**12.** Our aim is to add value to Clydeplan by providing insight on financial sustainability and by identifying areas of improvement and recommending good practice. In so doing, we aim to help Clydeplan promote improved standards of financial planning, better management and decision making.

**13.** This report is addressed to members of the Joint Committee and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**14.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual report and accounts



### Main judgements

**In our opinion, Clydeplan's financial statements give a true and fair view and were properly prepared, and expenditure and income was in accordance with applicable enactments and guidance.**

**The audited part of Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.**

**Project income and expenditure was not recognised on the Comprehensive Income and Expenditure Statement. This resulted in income and expenditure being understated in 2016/17 and 2017/18.**

**The pension fund liability on the balance sheet was overstated. This was due to asset return assumptions in the actuary's report being significantly different to actual returns.**

### Audit opinions on the annual report and accounts

**15.** The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Committee on 10 September 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the audited part of the Remuneration Report, Management Commentary and Governance Statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

### Submission of annual report and accounts for audit

**16.** We received the unaudited annual report and accounts on 11 June 2018 which was earlier than our agreed audit timetable.

**17.** The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Risks of material misstatement

**18.** [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

## Materiality

**19.** Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

**20.** We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the unaudited annual report and accounts we reviewed our planning materiality calculations and concluded that, while the values changed slightly, they remained appropriate and these are summarised in [Exhibit 1](#).

### Exhibit 1

#### Materiality values

Materiality level	Annual Audit Plan	Unaudited annual report and accounts
<b>Overall 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 per cent of gross expenditure for the year ended 31 March 2018.	£6,000	£7,000
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 75 per cent of overall materiality.	£4,500	£5,200
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£1,000	£1,000

Source: Annual Audit Plan 2017/18

## How we evaluate misstatements

**21.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. There were two material adjustments to the unaudited financial statements which are outlined in [Exhibit 2](#). There were no other errors above the reporting threshold.

## Significant findings from the audit (ISA 260)

**22.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings from the audit of Clydeplan

Issue	Resolution
<p><b>1. Project income and expenditure</b></p> <p>Clydeplan manage projects which generate income and incur expenditure. These projects are part of Clydeplan's operations, therefore income and expenditure associated with these projects should be recognised on the Comprehensive Income and Expenditure Statement (CIES) each year. Any balance at the year end should be recognised on the Balance Sheet.</p> <p>The year end balance has been recognised on the Balance Sheet but income and expenditure incurred in year has been processed through a suspense account and was not recognised on the CIES. This resulted in income and expenditure being understated by £41,524 in 2017/18. The same accounting treatment was applied in 2016/17 which resulted in income and expenditure being understated by £69,151 in 2016/17.</p>	<p>To correct these errors, adjustments to the 2016/17 and 2017/18 figures in the audited accounts have been processed. The impact of the adjustments was to increase income and expenditure in both years. There was no impact on the deficit on the provision of services as the additional income and expenditure recognised was offset.</p>
<p><b>2. Pension scheme valuation</b></p> <p>Clydeplan accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS 19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns. This resulted in pension fund assets reported in Clydeplan's balance sheet being understated by £71,000</p>	<p>This was corrected by management. An adjustment was processed to reflect Clydeplan's share of the pension fund assets based on the latest valuation at 31 March 2018. This had the impact of reducing the pension fund liability and increasing the pension reserve by £71,000. As local government accounting regulations require the general fund to be charged with amounts payable to the pension fund or directly to pensioners during the year rather than amounts calculated according to IAS 19, this adjustment does not impact the outturn for the year or the general fund balance.</p>

### Other issues

**23.** The Accounting Code outlines that for financial statements to be useful, they must provide a faithful representation of financial information with the substance of a transaction/process being reported as opposed to its legal form.

**24.** The financial statements disclose that Clydeplan does not have the power to hold assets therefore any capital expenditure is treated as revenue expenditure.

**25.** A similar disclosure issue was identified with Clydeplan's reserves. The financial statements outline Joint Committees have no specific powers to hold reserves therefore reserves are transferred to creditors. Any reserves that have been built up will ultimately be returned to the member councils upon the cessation of Clydeplan or when the Joint Committee decides to reimburse the reserves to member councils.

**26.** Discussions with management are ongoing to conclude whether the current treatment of capital expenditure and reserves is appropriate or needs to be revised going forward.



#### **Recommendation 1**

**Going forward, management should review how capital expenditure and reserves are disclosed within the financial statements.**

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#### **Follow up of prior year recommendations**

**27.** We have followed up actions previously reported and assessed progress. Two agreed actions were raised in 2016/17 and both have been fully actioned as outlined in [Appendix 1](#).

# Part 2

## Financial sustainability and governance statement



### Main judgements

**A deficit of £0.012 million was delivered against a budgeted breakeven position and this was managed through the use of reserves.**

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

### Financial performance in 2017/18

**28.** The Joint Committee approved the 2017/18 budget in December 2016. Total budgeted expenditure was £0.599 million and total budgeted income was £0.599 million resulting in a breakeven position.

**29.** Actual outturn in 2017/18 was total expenditure of £0.628 million and total income of £0.616 million. This resulted in a deficit of £0.012 million that was managed through the use of reserves.

**30.** During the year an appeal was lodged by a developer in response to the Strategic Development Plan which was approved by the Scottish Ministers in July 2017. The appeal was against the Scottish Ministers but Clydeplan was named as an interested party. Clydeplan incurred costs of around £0.020 million on legal advisers in responding to the appeal. The appeal was heard by the Court of Session and a decision was made to dismiss the case. Clydeplan made a claim to recover costs and this was heard in July 2018. The total costs to be awarded to Clydeplan are yet to be finalised.

### Short term financial planning

**31.** The largest source of income for Clydeplan is requisitions from members of the Joint Committee. A small proportion of income is also generated from services provided to the Green Network Partnership.

**32.** The Joint Committee approved the 2018/19 budget in December 2017. Total budgeted expenditure was £0.618 million and total budgeted income was £0.599 million. This resulted in a budget gap of £0.019 million that is to be addressed through efficiency savings or the use of reserves. Requisition income remained unchanged at £0.580 million.

### Medium to long term financial planning

**33.** We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

**34.** As part of the budget setting process, revenue estimates are prepared for a three year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

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.

**35.** As outlined in paragraph 31, the 2018/19 budget identifies a budget gap of £0.018 million. The budget also forecasts a budget gap in 2019/20 and 2020/21 of £0.033 million and £0.048 million respectively. These are also expected to be addressed through efficiency savings or the use of reserves. The main driver of the budget gap is increased employee costs. With the removal of the cap on public sector pay, there is more uncertainty around employee costs each year.

**36.** From the work carried out, we have concluded that Clydeplan has adequate financial planning arrangements in place. Cost pressures are expected to arise in the medium term, mainly due to employee costs. However, the financial planning arrangements in place have allowed management to plan for these pressures and ensure necessary actions are taken when required.

## **Governance statement**

**37.** Our review of the Governance Statement assessed the assurances which are provided to the Strategic Development Plan Manager regarding the adequacy and effectiveness of the committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding 'that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Glasgow and the Clyde Valley Strategic Development Planning Authority's internal controls, risk management and governance arrangements'.

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

## **General Data Protection Regulation**

**39.** The General Data Protection Regulation (GDPR) became enforceable on 25 May 2018. The regulation made changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation could result in significant sanctions.

**40.** Renfrewshire Council has been providing support to Clydeplan in preparation for GDPR. As a Joint Committee, Clydeplan is not specifically impacted by the requirements of GDPR. However, management have decided it will fall within the arrangements in place at Renfrewshire Council, as host authority, and the Data Protection Officer (DPO) of Renfrewshire Council will assume responsibility of data protection arrangements at Clydeplan.



# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Capital expenditure and reserves</b></p> <p>The financial statements disclose Clydeplan does not have the power to hold assets or reserves therefore capital expenditure and reserves are not reflected within the financial statements.</p> <p><b>Risk</b></p> <p>There is a risk the financial statements do not fully reflect the substance of Clydeplan's transactions.</p>	<p>It is recommended that going forward management review how capital expenditure and reserves are reported in the financial statements.</p> <p><a href="#">Paragraph 24 - 27</a></p>	<p>This will be reviewed and updated as appropriate.</p> <p>Responsible officer: Head of Finance</p> <p>Target date: 31 March 2019</p>

### Follow up of prior year recommendations

b/f	<p><b>1. Medium term financial planning</b></p> <p>A review of committee papers and minutes identified no medium or longer term financial planning is carried out and no scenario planning on savings is carried out either. As a result, there is a risk members have insufficient information to make informed decisions.</p>	<p>It is recommended scenario planning is carried out to highlight the impact of possible developments to members.</p>	<p>The 2018/19 budget included revenue estimates to 2020/21.</p> <p>Responsible officer: Head of Finance</p> <p>Target date: 31 March 2018</p> <p>Actual date: 11 December 2017</p>
b/f	<p><b>2. Contract standing orders</b></p> <p>A review of the contract standing orders was carried out which highlighted information that was not up to date. As a result, there is a risk that the process and procedures in respect of granting contracts are not up to date and in line with legislation.</p>	<p>It is recommended that the contract standing orders are reviewed and updated.</p>	<p>The contract standing orders were revised and approved by the Joint Committee.</p> <p>Responsible officer: Head of Corporate Governance</p> <p>Target date: 31 March 2018</p> <p>Actual date: 11 September 2017</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 conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Risk of management override of controls</b>  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.	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.	No unusual or inappropriate transactions were identified as part of our detailed journal testing.  A review of accounting estimates did not show any evidence of bias.  Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.  Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.  <b>Conclusion: no evidence of management override of controls.</b>
<b>2 Risk of fraud over income</b>  The majority of Clydeplan's income is in the form of requisitions from member authorities. However, a proportion of income is generated from other sources. As a result, in accordance with ISA 240, there is an inherent risk of fraud that requires an audit response.	Analytical procedures on income streams.  Detailed testing of revenue transactions focusing on the areas of greatest risk.	Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.  Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year. An error was identified in how project income is reported which resulted in income being understated. However, this was corrected by management.  <b>Conclusion: no evidence of fraud over income.</b>
<b>3 Risk of fraud over expenditure</b>  ISA 240 presumes a risk of fraud over income which is expanded to include	Analytical procedures on expenditure streams.	Analytical procedures were carried out over all expenditure streams and satisfactory

Audit risk	Assurance procedure	Results and conclusions
<p>fraud over expenditure in the public sector by the Code of Audit Practice</p> <p>The risk of fraud over expenditure applies due to the variety and extent of expenditure incurred by Clydeplan in delivering services.</p>	<p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business transactions and had been accounted for in the correct year. An error was identified in how project expenditure is reported which resulted in expenditure being understated. However, this was corrected by management.</p> <p><b>Conclusion: no evidence of fraud over expenditure.</b></p>

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

<p><b>4 General Data Protection Regulation</b></p> <p>The General Data Protection Regulation (GDPR) becomes enforceable in May 2018. The regulation makes changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation can result in significant sanctions.</p> <p>Ensuring compliance with the regulation is resource intensive and will require a designated Data Protection Officer (DPO). Clydeplan will need to ensure it is prepared for GDPR and has the necessary arrangements in place for the enforcement date.</p>	<p>Attendance at Joint Committee meetings and review of Joint Committee meeting papers.</p> <p>Discussions with management to monitor and discuss developments.</p>	<p>Renfrewshire Council has been providing support to Clydeplan for GDPR. The DPO of Renfrewshire Council will assume responsibility for data protection arrangements at Clydeplan.</p> <p><b>Conclusion: GDPR has only been enforceable for a short period of time. Steps have been taken by management to ensure the statutory requirements of GDPR have been met. Compliance with GDPR will be assessed as part of our audit work over the remainder of the audit engagement.</b></p>
<p><b>5 Changes to the Scottish planning system</b></p> <p>The draft Planning Bill was introduced in December 2017. The Bill will repeal the provisions requiring the formation of Strategic Development Planning Authorities and the production of Strategic Development Plans. If passed by Parliament in its current form this will result in the cessation of Clydeplan.</p> <p>There is uncertainty in timings but the proposed changes could impact on Clydeplan's ability to carry out day to day operations and meet its future objectives.</p>	<p>Attendance at Joint Committee meetings and review of Joint Committee meeting papers.</p> <p>Discussions with management to monitor and discuss developments.</p> <p>Monitor progress of draft Planning Bill through Parliamentary process.</p>	<p>The draft Planning Bill has been progressing through the Parliamentary process. The Stage 1 report was published in May 2018 and debated by Parliament in the same month. Stage 2 of the Parliamentary process is expected to be completed in November 2018 and the Government have indicated the Bill will be updated to provide greater clarity and reflect the outcome of the Stage 1 debate.</p> <p>Management have responded to the Draft Bill and gave oral and written evidence at various stages of the Parliamentary process. Management have also been in discussions with the Glasgow City Region partnership to discuss the role, function and governance of</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>Clydeplan as part of this partnership.</p> <p><b>Conclusion: the Draft Bill is still progressing through the Parliamentary process and management have given evidence on the Draft Bill. Management have also been in discussions with the Glasgow City Region partnership to discuss the role of Clydeplan in developments. There are still uncertainties about the role of Clydeplan going forward as no decisions have yet been made. Progress and developments will continue to be monitored and discussed with management.</b></p>

# Glasgow and the Clyde Valley Strategic Development Planning Authority

## 2017/18 Annual Audit Report

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