

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

**To:** Joint Committee

**On:** 7 October 2019

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**Report by:** Audit Scotland

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**Heading:** ISA 260 and Annual Audit Report 2018-19

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### **1. Summary**

- 1.1 At the meeting of the Joint Committee on 10 June 2019 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 2019, in accordance with the accounting policies detailed in the accounts.
  - 1.3 The Audit Report comprises of two reports – The ISA 260 Governance Report and the Annual Audit report
  - 1.4 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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## **Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee**

**7 October 2019**

### **Glasgow and the Clyde Valley Strategic Development Planning Authority Audit of 2018/19 annual accounts**

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

1. Our audit work on the 2018/19 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 7 October 2019 (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 Audit Report on the 2018/19 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. 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 be corrected.

## **Fraud, subsequent events and compliance with laws and regulations**

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

## **Representations from Section 95 Officer**

7. As part of the completion of our audit, we are seeking written representations from the Treasurer, as the Section 95 Officer, on aspects of the annual accounts, including the judgements and estimates made.
8. 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 of Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee and the Accounts Commission

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee for the year ended 31 March 2019 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 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the body as at 31 March 2019 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 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. 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 Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. 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 the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Risks of material misstatement

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

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

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](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.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of my report**

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

Mark Ferris  
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The Athenaeum Building  
8 Nelson Mandela Place  
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October 2019





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

Mark Ferris, Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
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7 October 2019

Dear Mark

### **Glasgow and the Clyde Valley Strategic Development Planning Authority Annual Accounts 2018/19**

1. This representation letter is provided about your audit of the annual accounts of Glasgow and the Clyde Valley Strategic Development Planning Authority for the year ended 31 March 2019 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 and the Joint Committee, 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 2019.

### **General**

3. Glasgow and the Clyde Valley Strategic Development Planning Authority and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 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.

### **Financial Reporting Framework**

4. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 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.
5. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Glasgow and the Clyde Valley Strategic Development Planning Authority at 31 March 2019 and the transactions for 2018/19.

### **Accounting Policies & Estimates**

6. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 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's circumstances and have been consistently applied.

7. 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**

8. 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**

9. All assets at 31 March 2019 of which I am aware have been recognised in the annual accounts.
10. I carried out an assessment at 31 March 2019 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
11. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
12. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Liabilities**

13. All liabilities at 31 March 2019 of which I am aware have been recognised in the annual accounts.
14. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in the 2018/19 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2019. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
15. The accrual recognised in the financial statements for holiday untaken by 31 March 2019 has been estimated on a reasonable basis.
16. 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.
17. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

## **Contingent liabilities**

18. There are no significant contingent liabilities, other than those disclosed in note 19 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2018/19 accounting code and IAS 37.

## **Fraud**

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

## **Laws and Regulations**

20. 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**

21. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 accounting code. I have made available to you the identity of all Glasgow and the Clyde Valley Strategic Development Planning Authority's related parties and all the related party relationships and transactions of which I am aware.

## **Remuneration Report**

22. 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**

23. 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**

24. I confirm that Joint Committee has undertaken a review of the system of internal control during 2018/19 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.
25. 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 2019, which require to be reflected.

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

26. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

### **Prior Period Restatements**

27. I confirm the prior period restatements in respect of the accounting treatment for reserves in the Balance Sheet, Movement in Reserves Statement, and in the notes to the financial statements are accurate and in line with accounting records.

Yours sincerely

Treasurer

# Glasgow and the Clyde Valley Strategic Development Planning Authority

2018/19 Annual Audit Report – Proposed



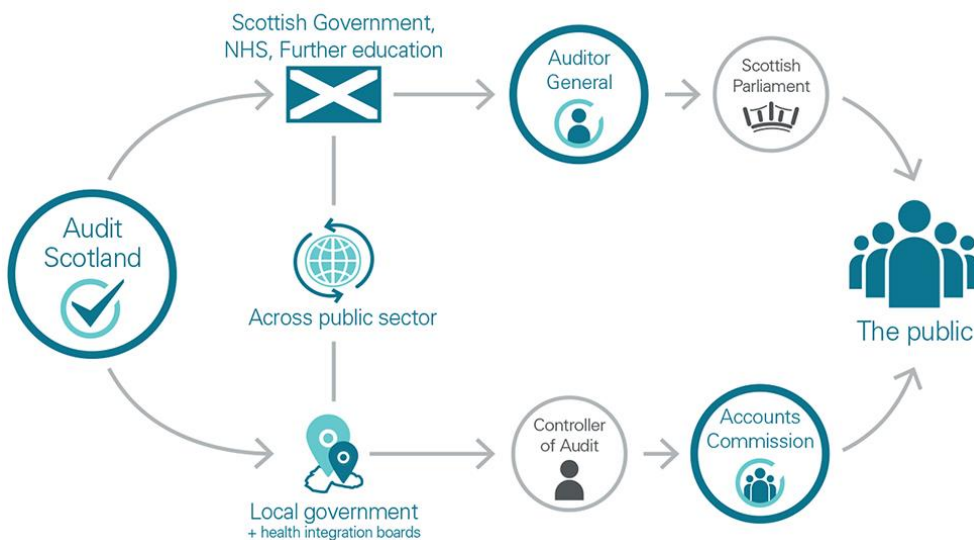
Prepared for the Members of the Glasgow and the Clyde Valley Strategic Development Planning Authority  
Joint Committee and the Controller of Audit

7 October 2019

## 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 Audit of 2018/19 annual report and accounts	7
Part 2 Financial sustainability	13
Appendix 1 Action plan 2018/19	15
Appendix 2 Significant audit risks identified during planning	16
Appendix 3 Summary of national performance reports 2018/19	19





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# Key messages

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## 2018/19 annual report and accounts

- 1** Glasgow and the Clyde Valley Strategic Development Planning Authority's financial statements give a true and fair view and were properly prepared.
- 2** An adjustment to pension disclosures and balances was required as a result of a legal judgement. This resulted in an increase of £59,000 to the pension fund liability reported in the Balance Sheet.
- 3** Glasgow and the Clyde Valley Strategic Development Planning Authority's 2018/19 unaudited accounts were consolidated to reflect all transactions and balances for the Green Network Partnership. This was a change in accounting treatment with the objective of streamlining the accounts; the Green Network Partnership was disclosed as a note within the financial statements in prior years. It was concluded that there was no accounting basis for this change and that the consolidation should be reversed in the audited accounts.
- 4** The Management Commentary, the Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## Financial sustainability

- 5** A surplus of £33,978 was delivered against a budgeted breakeven position. This surplus was taken to usable reserves.
- 6** The 2019/20 budget is projecting a funding gap of £15,800. Management intend to mitigate this through the planned use of reserves.



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# Introduction

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1. This report summarises the findings from our 2018/19 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 11 March 2019 meeting of the Joint Committee. This report comprises the findings from:

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

## Adding value through the audit

3. We add value to the Clydeplan through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability.

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

## Responsibilities and reporting

5. Clydeplan has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. 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.

6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) (the Code) and supplementary guidance and International Standards on Auditing in the UK.

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

8. The Code includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2018/19 Annual Audit Plan, due to the

volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2018/19 audit.

**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.

**11.** We confirm that we comply with the Financial Reporting Council's Ethical Standard and we have not undertaken any non-audit related services. We are not aware of any relationships that could compromise our objectivity and independence.

**12.** An audit fee of £2,900 was set in our Annual Audit Plan. However, additional audit work was required due to issues around the accounting treatment of the Green Network Partnership (GNP) balances and transactions. As a result, the audit fee was increased to £3,625; however, the additional costs will be borne by Renfrewshire Council.

**13.** This report is addressed to both 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 for their cooperation and assistance during the audit.

# Part 1

## Audit of 2018/19 annual report and accounts



### Main judgements

Clydeplan's financial statements give a true and fair view and were properly prepared.

An adjustment to pensions disclosures and balances was required as a result of a legal judgement. This resulted in an increase of £59,000 to the pension fund liability reported in the Balance Sheet.

Clydeplan's unaudited accounts were consolidated to reflect all transactions and balances for Green Network Partnership which were previously disclosed in a note within the financial statements. It was concluded that there was no accounting basis for this change and that the consolidation should be reversed in the audited accounts.

The Management Commentary, the Governance Statement, and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

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

### Audit opinions on the annual accounts

**15.** The annual accounts for the year ended 31 March 2019 were due to be approved by the Joint Committee on 9 September 2019. However, the audited annual accounts were not available for consideration at this meeting. This was due to additional changes and audit work being required as a result of the accounting treatment for Green Network Partnership (GNP).

**16.** A special meeting of the Joint Committee was called for 7 October 2019 and the annual accounts were approved by members. The statutory deadline for approval and certification of the annual accounts is 30 September 2019. As the annual accounts were approved on 7 October 2019, this statutory deadline was not met.

**17.** We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- the Management Commentary, the Governance Statement, and the audited part of the Remuneration Report, were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

## Submission of annual accounts for audit

**18.** We received the unaudited annual accounts on 10 June 2019 in line with our agreed audit timetable. Following the agreement of initial audit findings at the end of August regarding the issues identified with the accounting treatment of GNP, a revised version of the annual accounts was received for additional audit testing on 5 September 2019.

**19.** The Local Authority Accounts (Scotland) Regulations 2014 required Clydeplan to give public notice for inspection and objection of the 2018/19 unaudited annual report and accounts by 17 June 2019. The public notice was published on the Clydeplan website on 26 June 2019 and in a newspaper on 28 June 2019, meaning this deadline was not met.

## Risks of material misstatement

**20.** [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

**21.** We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

## Materiality

**22.** 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.

**23.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

**24.** On receipt of the unaudited annual report and accounts we reviewed our materiality calculations as detailed in [Exhibit 1](#).

## Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£7,700
Performance materiality	£4,600
Reporting threshold	£1,000

Source: Audit Scotland

## Significant findings from the audit (ISA 260)

**25.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering

accounting policies, accounting estimates and financial statements disclosures. The significant findings are summarised in [Exhibit 2](#).

**26.** We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

## Exhibit 2

### Significant findings from the audit of the financial statements

Finding	Resolution
<p><b>1. Capital accounting</b></p> <p>We recommended in our <a href="#">2017/18 Annual Audit Report</a> that management review how capital expenditure is reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that capital expenditure would be reflected in the financial statements to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in new accounting policies for property, plant, and equipment (PPE) and intangible assets being included in the financial statements</p>	<p>From our work, we concluded that Clydeplan do not have any PPE or intangible assets which require capitalisation. However, it can be noted that the 2018/19 accounts have been fully updated to reflect this change in accounting policy.</p>
<p><b>2. Reserves accounting</b></p> <p>We recommended in our 2017/18 Annual Audit Report that management review how reserves are reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that the accounting treatment for reserves would be updated to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in a revenue reserve balance being recognised in the financial statements at the year end. Prior year comparatives were also restated to reflect the update accounting treatment. The revenue reserve balance reflects accumulated surpluses that have been generated in previous years which are available to Clydeplan.</p>	<p>The audit recommendation has been fully implemented by management within the 2018/19 financial statements.</p>
<p><b>3. Pension fund liability legal judgement</b></p> <p>Legal cases were brought against the UK government regarding the transition arrangements made in each of the pensions schemes for judges and firefighters. These arrangements came into effect as part of the move from a Final Salary Pension Scheme to a Career Average Pension Scheme in 2015 and included certain protections for active members of the schemes.</p> <p>The claimants successfully argued, in the resultant Employment Tribunal hearing, that some elements of the protection measures were unlawful on the grounds of age discrimination. The Employment Tribunal's ruling on this matter was upheld by the Supreme Court in June 2019.</p> <p>As this would have an impact on the transition arrangements of all government backed pension schemes, the council instructed, on behalf of Clydeplan, the actuary to the Strathclyde Pension Fund to quantify the impact on Clydeplan's pension fund liability. The actuary estimated that</p>	<p>The financial statements were updated to reflect the impact of the legal judgement on the pension fund liability.</p>

Finding	Resolution
<p>the impact from this case is to increase Clydeplan's pension fund liability by £59,000.</p> <p>The impact of this adjustment resulted in a £59,000 increase to the pension fund liability reported in the Balance Sheet from £0.527 million to £0.586 million, with a matching increase in the unusable pension reserve. This also results in a £58,000 increase in the pension cost charge incorporated within the Comprehensive Income and Expenditure Statement in the annual accounts. As these adjustments are fully mitigated by a statutory adjustment, they have no impact on the £33,978 surplus reported in the revenue reserve balance in the unaudited annual accounts.</p>	
<p><b>4. Provision for dilapidation costs</b></p> <p>The lease for Clydeplan's office in West Regent Street is due to expire on 26 October 2019. Management commissioned Renfrewshire Council's Property Services to carry out a review of potential dilapidation cost. This estimated that Clydeplan would incur costs of around £28,500 plus VAT.</p> <p>These costs are yet to be incurred by Clydeplan. However, <i>International Accounting Standard 37 – provisions, contingent liability and contingent assets</i> (IAS 37) requires a liability to be recognised when there is a present obligation from past events that will result in an outflow of resources and the costs can be reliably estimated. These criteria were considered to have been met when the estimate of dilapidations costs was carried out and therefore reflected within the 2018/19 annual accounts.</p> <p>Dilapidation costs had not been recognised in the unaudited annual accounts and the impact of this adjustment resulted in a £28,500 increase in current liabilities reported in the Balance Sheet from £251,297 to £279,797. This also resulted in an increase of £28,500 in premises costs in the Comprehensive Income and Expenditure Statement.</p>	<p>The financial statements were updated to reflect the estimated dilapidation costs.</p>
<p><b>5. Cashflow Statement</b></p> <p>As part of audit work during the year, we had discussions with management on the presentation of the financial statements and the requirement for a Cashflow Statement. Clydeplan does not have a bank account and all income and expenditure transactions are processed through Renfrewshire Council's (as the administering authority) bank account. No cash was held by Clydeplan at the year end.</p> <p>As a result, it was agreed that the Cashflow Statement could be removed as this statement should only reflect cash transactions processed by Clydeplan, of which there were none. The Cashflow Statement was removed in the unaudited annual accounts considered by the Joint Committee in June 2019.</p>	<p>The financial statements were updated to remove the Cashflow Statement.</p>
<p><b>6. Accounting treatment for GNP</b></p> <p>The unaudited annual accounts were consolidated to reflect all transactions and balances for GNP. GNP transactions and balances were previously disclosed in a note to the accounts and not consolidated within Clydeplan's financial statements. The change in accounting treatment was discussed with management and it was concluded there was no accounting basis for this change. There had been no significant changes</p>	<p>The annual accounts were updated to remove GNP transactions and balances and a note was included which disclosed GNP's performance for the year.</p> <p>We also recommend management review the Terms of Reference and governance documents for GNP to clarify the structure of the organisation.</p>



Finding	Resolution
<p>to accounting standards or the governance of GNP which would require a change in accounting treatment, and management explained the change had been made to streamline the accounting process.</p> <p>As there was no accounting basis for this change, we requested that the transactions and balances for GNP were removed from Clydeplan's financial statements and reported as a note. This resulted in material changes to all of the primary statements and a number of notes and an updated version of the annual accounts was provided with GNP transactions and balances removed.</p> <p>Additional audit work was required as a result of this change and as outlined in paragraph 12, this resulted in an increase to the audit fee. The delay to the completion of the audit meant the statutory deadline for approving and certifying the annual accounts was not achieved.</p> <p>As part of our work to review the change in accounting treatment, we considered the Terms of Reference and other governance documents for GNP. The lack of detail contained within these documents made it difficult to assess and conclude on the appropriate accounting requirements.</p>	<div data-bbox="927 293 975 349"></div> <p><a href="#">Recommendation 1</a> (<a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

## How we evaluate misstatements

**27.** 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 three material adjustment to the unaudited financial statements which are outlined in [Exhibit 2](#). There were no other errors above the reporting threshold.

## Follow up of prior year recommendations

**28.** We have followed up the action previously reported and assessed progress made. One agreed action was raised in 2017/18 and has been fully actioned.

**29.** As detailed in [Exhibit 2](#), during the 2017/18 audit, we noted that Clydeplan had incurred expenditure which was capital in nature. The financial statements disclosed that Clydeplan did not have the power to hold assets, therefore any capital expenditure was treated as revenue expenditure.

**30.** A similar disclosure issue was identified in respect of Clydeplan's reserves. The financial statements outlined that the Joint Committee had no specific powers to hold reserves, therefore reserves were 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.

**31.** The Code of Practice on Local Authority Accounting in the United Kingdom states 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.

**32.** We recommended that management should review how capital expenditure and reserves were disclosed within the financial statements.

**33.** For the 2018/19 financial statements, management have revised the accounting treatment and now recognise assets and reserves within the financial statements. As detailed in [Exhibit 2](#), we concluded that Clydeplan do not have any PPE or intangible assets which require capitalisation. However, management have implemented a policy that will result in capital expenditure being capitalised in future if requirements are met. The balance sheet has been restated to reflect the impact of the change in the reserves accounting treatment.

# Part 2

## Financial sustainability



### Main judgements

Clydeplan achieved a surplus of £33,978 in 2018/19. This surplus was taken to usable reserves.

The 2019/20 budget is projecting a funding gap of £15,800. Management intend to mitigate this through planned use of reserves.

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.

### Financial performance in 2018/19

**34.** 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 £19,000 that management planned to meet through efficiency savings or the use of reserves.

**35.** Actual outturn in 2018/19 was total expenditure of £0.652 million and total income of £0.686 million, resulting in a surplus of £33,978. The main factors for the overspend in expenditure compared to budget is due to the provision for dilapidation costs and salary costs for backfilling seconded posts. The over recovery of income compared to budget is due to additional secondment income from the City Region Team at Glasgow City Council.

### Short term financial planning

**36.** The largest source of income for Clydeplan is requisitions from members of the Joint Committee. Requisitions have remained constant for 2017/18 and 2018/19 at £0.580 million. A small proportion of income is also generated from services provided to the GNP.

**37.** The Joint Committee approved the 2019/20 budget in December 2018. Total budgeted expenditure was £0.634 million and total budgeted income was £0.618 million. This resulted in a budget gap of £15,800 that is to be addressed through the use of reserves. Requisition income remained unchanged at £0.580 million.

### Medium to long term financial planning

**38.** 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.

**39.** 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.

**40.** As outlined in paragraph 37, the 2019/20 budget identifies a budget gap of £15,800. The budget also forecasts a budget gap in 2020/21 and 2021/22 of £30,100 and £44,100 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.

**41.** We reported in 2016/17 and 2017/18 about the uncertainties created by the Planning (Scotland) Bill. The Bill has been progressing through the Parliamentary process with proposed changes to the Scottish planning system which will have an impact on the future of Clydeplan. On 25 July 2019, the Planning Bill officially received Royal Assent and became the Planning (Scotland) Act 2019. The Act repeals the provisions requiring the preparation of Strategic Development Plans which are being replaced by provisions for two or more planning authorities acting jointly to prepare Regional Spatial Strategies.

**42.** 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

**43.** 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 control, risk management and governance arrangements'.

**44.** 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.

## EU Withdrawal

**45.** There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services
- funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports
- regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

**46.** Renfrewshire Council is the lead authority of Clydeplan. As a result, Clydeplan is expected to follow and reflect the work done by the council in preparation for EU withdrawal. As such, assurances can be taken over the work being done at Renfrewshire Council which was considered to be appropriate.

# Appendix 1

## Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>GNP Terms of Reference and governance documents</b></p> <p>We noted that the GNP terms of Reference and other governance documents were high level.</p> <p>The lack of detail contained within these documents made it difficult to assess and conclude on the appropriate accounting requirements.</p> <p><b>Risk</b></p> <p>There is a risk that the accounting treatment of GNP may not be appropriate due to difficulties in assessing the structure of GNP.</p>	<p>It is recommended management review and clarify the Terms of Reference and governance documents for GNP.</p>	<p><b>Management response:</b></p> <p>A review of the Terms of Reference and governance arrangements will be undertaken over the next few months by the SDP Manager and the Clerk.</p> <p><b>Responsible officer:</b> Clerk and SDP Manager</p> <p><b>Target date:</b> 31 March 2020</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 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 material proportion is generated from other sources. The extent of income means that, in accordance with ISA 240, there is an inherent risk of fraud.	Analytical procedures on income streams.  Detailed testing of income 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>	Analytical procedures on expenditure streams.	Analytical procedures were carried out over all expenditure streams and satisfactory

Audit risk	Assurance procedure	Results and conclusions
<p>Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p> <p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. This applies to Clydeplan due to the variety and extent of expenditure incurred 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.</p> <p><b>Conclusion: no evidence of fraud over expenditure.</b></p>
<p><b>4 Estimates and Judgements</b></p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account area of pensions.</p> <p>Clydeplan's net liability relating to the Strathclyde Pension Fund at 31 March 2018 was £0.193 million. This value is an estimate based on a number of assumptions from the pension fund actuary.</p> <p>This subjectivity represents an increased risk of material misstatement in the financial statements.</p>	<p>Review of the pension actuary and the assumptions made in calculating the estimated pension liability.</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.</p> <p><b>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</b></p>
<p><b>5 New accounting system</b></p> <p>Renfrewshire Council implemented an enterprise resource planning system (Business World), in October 2018 which combines finance, HR, payroll and procurement into a single integrated application.</p> <p>The implementation of Business World during the 2018/19 financial year means that the annual accounts will be prepared using information recorded both before and after the change in system, under two different control environments.</p> <p>This introduces additional risks:</p> <ul style="list-style-type: none"> <li>- The new control environment may be less robust</li> <li>- Data may not be correctly transferred to the new system</li> </ul>	<p>Gaining an understanding of Business World by reviewing process maps and through discussions with key officers.</p> <p>Detailed testing of significant transactions processed during the change period and rolled forward balances.</p> <p>Review of account/cost code mapping from legacy system to Business World.</p> <p>The work outlined above will be completed as part of the Renfrewshire Council audit and the Clydeplan audit team will take assurances from that work.</p>	<p>As part of work on the Renfrewshire Council audit, a review of the process maps and the operation of the key systems was carried out. This was reported in the 2018/19 Management Report for Renfrewshire Council.</p> <p>Detailed testing of transactions processed during the change period and rolled forward balances did not identify any issues.</p> <p>A review of account code/cost code mapping from the legacy system to Business World did not identify any issues.</p> <p><b>Conclusion: audit work carried out did not identify any issues in the roll forward of balances and mapping of account codes/cost centres to the new system.</b></p>



Audit risk	Assurance procedure	Results and conclusions
<ul style="list-style-type: none"> <li>- Differences in the new system may make accounts preparation more challenging</li> </ul> <p>The overall impact of the move to Business World is an increased risk of material misstatement in the annual accounts. This affects Clydeplan as Renfrewshire Council is the host authority and Clydeplan uses its accounting system.</p>		

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

#### 6 Changes to the Scottish planning system

The Planning (Scotland) Bill was introduced in December 2017. It has been progressing through the parliamentary process and is currently at stage 3.

The draft Bill repealed the statutory requirement to prepare Strategic Development Plans. This would have resulted in the cessation of Clydeplan in its current form. However, numerous amendments and changes to the Bill have been proposed at each stage, which could impact on this provision of the Bill.

There is uncertainty in the outcome and timings, but this could impact on Clydeplan's ability to carry out day to day operations and meet its future objectives.

Attendance at Joint Committee meetings and review of Joint Committee meeting papers.

Discussion with management to monitor and discuss developments.

Monitor progress of Planning (Scotland) Bill.

On 25 July 2019, the Planning Bill received Royal Assent and became the Planning (Scotland) Act. The Act repeals the provisions requiring the preparation of Strategic Development Plans which are being replaced by provisions for two or more planning authorities acting jointly to prepare Regional Spatial Strategies.

Management have indicated that Clydeplan will be involved in the preparation of a Regional Spatial Strategy going forward. In addition, management and members are also considering options for the future governance of Clydeplan as a result of the Planning (Scotland) Act. This will be discussed and agreed at future meetings of the Joint Committee.

**Conclusion:** The Planning (Scotland) Act resulted in changes to the operations of Clydeplan. However, Clydeplan will have a role in the preparation of Regional Spatial Strategies and management and members are considering options for the future governance of Clydeplan.



# Appendix 3

## Summary of national performance reports 2018/19

### 2018/19 Reports

Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

# Glasgow and the Clyde Valley Strategic Development Planning Authority

## 2018/19 Annual Audit Report – Proposed

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