

## **Notice of Meeting and Agenda Glasgow & the Clyde Valley Strategic Development Planning Authority Joint Committee.**

<b>Date</b>	<b>Time</b>	<b>Venue</b>
Monday, 16 March 2020	11:15	Glasgow City Council, Ground Floor, Exchange House, 231 George Street, Glasgow, G1 1RX,

KENNETH GRAHAM  
Clerk

### **To Follow Item**

I refer to the agenda for the meeting of the Glasgow & the Clyde Valley Strategic Development Planning Authority Joint Committee to be held on 16 March 2020 at 11.15 am and enclose the undernoted report relative to item 3 of the agenda - Audit Scotland Annual Audit Plan 2019/20 - previously marked 'to follow'.

### **Membership**

Councillor Denis Johnston and Councillor Alan Moir (East Dunbartonshire Council); Councillor Alan Lafferty and Councillor Stewart Miller (East Renfrewshire Council); Bailie Glenn Elder and Councillor Kenny MacLean (Glasgow City Council); Councillor Jim Clocherty and Councillor David Wilson (Inverclyde Council); Councillor Harry Curran and Councillor Agnes Magowan (North Lanarkshire Council); Councillor Tom Begg and Councillor Marie McGurk (Renfrewshire Council); Councillor John Anderson and Councillor Alistair Fulton (South Lanarkshire Council); and Councillor Jonathan McColl and Councillor Lawrence O'Neill (West Dunbartonshire Council).

Councillor Lawrence O'Neill (Convener); Councillor David Wilson (Vice-Convener).

## **Further Information**

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at <http://renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx>

For further information, please either email [democratic-services@renfrewshire.gov.uk](mailto:democratic-services@renfrewshire.gov.uk) or telephone 0141 618 7112.

## **Members of the Press and Public**

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

## **Items of business**

- |          |   |               |
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| <b>3</b> | <b>Audit Scotland Annual Audit Plan 2019/20</b><br>Report by Treasurer. | <b>5 - 20</b> |
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**GLASGOW AND THE CLYDE VALLEY STRATEGIC DEVELOPMENT PLANNING  
AUTHORITY JOINT COMMITTEE**

**To:** Joint Committee

**On:** 10 March 2020

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**Report by:** The Treasurer

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**Heading:** Annual Audit Plan 2019/20

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**1. Summary**

- 1.1 The Annual Audit Plan 2019/20 for the Joint Committee is submitted for Members' information. It outlines Audit Scotland's planned activities during its audit of the 2019/20 financial year.
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**2 Recommendations**

- 2.1 It is recommended that members note the Annual Audit Plan 2019/20 by Audit Scotland (Appendix 1).
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**3 Background**

- 3.1 Based on its analysis of the risks facing the Joint Committee, Audit Scotland has submitted an Audit Plan that outlines its approach to the audit of the 2019/20 annual accounts. This will assess whether the accounts provide a true and fair view of the Joint Committee's financial position, and also whether they have been prepared in accordance with proper accounting practice, i.e. the 2019 Code of Practice on Local Authority Accounting in the UK.
- 1.2 The Audit Plan outlines the responsibilities of the Joint Committee and of Audit Scotland; its assessment of key challenges and risks and the approach and timetable for completion of the audit.
- 1.3 The Annual Audit Plan 2019/20 includes a section on Audit Risks. Within this section, the identified risks are included in the audit plans of many bodies that Audit Scotland work with and their inclusion is not a reflection of specific risks for the Joint Committee.



# Glasgow and the Clyde Valley Strategic Development Planning Authority

Annual Audit Plan 2019/20

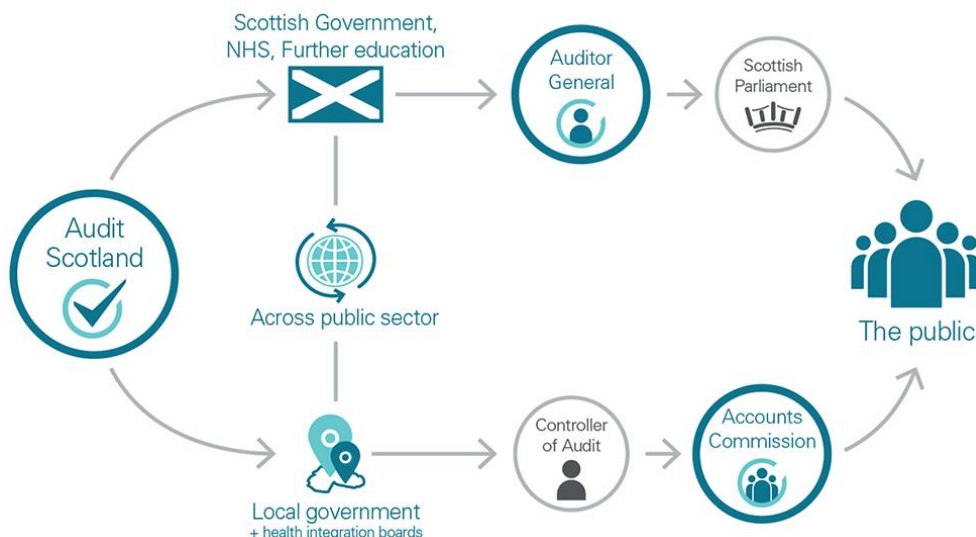


Prepared for Glasgow and the Clyde Valley Strategic Development Planning Authority  
March 2020

## Who we are

The Auditor General, the Accounts Commission, and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS, and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.



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# Risks and planned work

1. This Annual Audit Plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency, and value for money.

## Adding value

3. We aim to add value to Glasgow & Clyde Valley Strategic Development Planning Authority (Clydeplan) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In doing this, we intend to help Clydeplan promote improved standards of governance, better management and decision making, and more effective use of resources.


## Audit risks

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

### Exhibit 1 2019/20 Significant audit risks

 Audit Risk	Management's source of assurance	Planned audit work
<b>Financial statements risks</b>		
<p><b>1 Risk of material misstatement caused by management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	Owing to the nature of this risk, assurances from management are not applicable in this instance.	<ul style="list-style-type: none"> <li>Detailed testing of journal entries.</li> <li>Review of accounting estimates.</li> <li>Focused testing of accruals and prepayments.</li> <li>Evaluation of significant transactions that are outside the normal course of business.</li> </ul>
<p><b>2 Risk of material misstatement caused by fraud over expenditure</b></p> <p>Most public-sector bodies are net expenditure bodies and therefore the</p>	Expenditure is closely monitored and discussed at budget monitoring meetings. Significant	<ul style="list-style-type: none"> <li>Analytical procedures on expenditure streams.</li> <li>Detailed testing of expenditure transactions</li> </ul>

	Audit Risk	Management's source of assurance	Planned audit work
	<p>risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>Clydeplan incurs expenditure on a range of activities. The extent and complexity of expenditure means that there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.</p>	<p>differences from actuals compared to projected expenditure are investigated.</p>	<p>focusing on whether expenditure is processed in the correct accounting year.</p>
3	<p><b>Risk of material misstatement caused by accounting for pensions</b></p> <p>Clydeplan recognised a net liability of £0.586 million relating to its share of Strathclyde Pension Fund at 31 March 2019. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> <p>Additionally, successful legal action was brought against the UK government in relation to pension schemes for judges and firefighters in 2018/19, on the grounds of age discrimination. The judgements for these pension schemes will impact on Strathclyde Pension Fund as it had similar arrangements in place. Uncertainty remains over the remedy for the legal judgements. The expected impact of the legal judgements, or remedy if agreed, will need to be reflected in the pension fund liability valuation in 2019/20.</p>	<p>Any significant estimates and judgements are clearly explained in the Notes to the Accounts. Where these are required, they are based on the best information available at the time of the estimate and on both a professional and a prudent approach, either by Renfrewshire Council staff, or appointed experts, such as the Pension Fund actuary.</p>	<ul style="list-style-type: none"> <li>• Completion of 'review of the work of Management's expert' for the pension fund actuary.</li> <li>• Review of the estimates used, and assumptions made in calculating the pension fund liability.</li> </ul>
4	<p><b>Risk of material misstatement caused by accounting for the Green Network Partnership</b></p> <p>Clydeplan's 2018/19 unaudited financial statements were consolidated to reflect the Green Network Partnership's (GNP) transactions and balances. These had previously been disclosed as a note to the financial statements. This approach was not considered to be appropriate and these transactions and balances were subsequently removed in the audited financial statements and disclosed as a note.</p> <p>As part of work on the consolidation, it was noted that the GNP's Terms of</p>	<p>Following the review, the GNP's Terms and Conditions previously discussed remains the sole governing document for this purpose. Consequently, in the absence of any new information, and in light of potential future governance changes (see item 5), the 2019/20 accounts will be prepared on the same basis as the 2018/19 audited accounts.</p>	<ul style="list-style-type: none"> <li>• Review of the GNP's updated Terms and Reference and governance documents to assess its structure.</li> <li>• Review of the accounting treatment for the GNP in the 2019/20 financial statements and concluding on its appropriateness.</li> </ul>

	Audit Risk	Management's source of assurance	Planned audit work
	<p>Reference and governance documents lacked detail, leading to difficulties in assessing the GNP's structure. A recommendation was made in our <a href="#">2018/19 Annual Audit Report</a> for management to review the Terms of Reference and governance documents. While this review could provide clarity on the GNP's structure, changes to the Terms of Reference and governance documents could impact on the accounting requirements for the GNP and there is a risk the financial statements could be materially misstated as a result.</p>		

### Wider dimension risks

#### 5 Future operations and structure of Clydeplan

The Planning (Scotland) Act 2019 repeals the provisions requiring the preparation of Strategic Development Plans which is being replaced with a provision for two or more planning authorities acting jointly to prepare Regional Spatial Strategies.

Management have been active in discussions with partners around Clydeplan's role in the preparation of a Regional Spatial Strategy, as well as its role within the wider requirements of the Act. Arrangements are still being developed and finalised. However, there is a possibility that the developments could result in changes to the structure of Clydeplan and the Joint Committee.

There is a paper being reported to the Joint Committee on 16 March outlining high-level proposals; however, there is presently no substantive decision about the future structure or governance of ClydePlan.

The statutory services that ClydePlan provides for its constituent authorities will continue, therefore the 2019/20 annual accounts will be prepared on a going concern basis, with any developments up to the audited balance sheet date reported as appropriate.

- Review of updates and papers reported to the Joint Committee.
- Discussions with management about developments impacting on the future operations and structure of Clydeplan.

Source: Audit Scotland

5. As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. For Clydeplan, we have rebutted the risk of material misstatement caused by fraud in income recognition in 2019/20. This risk has been rebutted due to the nature of Clydeplan's income. The majority of income is in the form of requisitions from member authorities. There is limited scope to manipulate requisitions in the financial statements as these are set when the Revenue Estimates are approved. Clydeplan's remaining income is from secondments or project income being released when costs are incurred for the projects. Again, there is limited scope to manipulate the remaining income in the financial statements due to its nature.

## Reporting arrangements

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

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

**8.** We will provide an independent auditor's report to the Joint Committee and Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Committee and Accounts Commission with an Annual Audit Report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 2 2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	02 March 2020	16 March 2020
Annual Audit Report	31 August 2020	14 September 2020
Independent Auditor's Report	31 August 2020	14 September 2020

Source: Audit Scotland

## Audit fee

**9.** The proposed audit fee for the 2019/20 audit of Clydeplan is £2,960 (2018/19: £3,625). In determining the audit fee, we have taken account of the risk exposure of Clydeplan, the planned management assurances in place, and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package, on 9 June 2020.

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

## Responsibilities

### Joint Committee and Treasurer

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

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

### Appointed auditor

**13.** Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

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

# Audit scope and timing

## Financial Statements

**15.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

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

**16.** We will give an opinion on whether the financial statements:

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



## Other information in the annual accounts

**17.** We also review and report on other information published within the annual accounts including the Management Commentary, Governance Statement, and the Remuneration Report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**18.** We also read and consider any information in the annual accounts other than the financial statements and audited part of the Remuneration Report and report on any uncorrected material misstatements.

## Materiality

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

**20.** The calculated materiality values for Clydeplan are set out in [Exhibit 3](#).



## Exhibit 3

### Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2019 based on the 2018/19 audited annual accounts.	£8,000
<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% of planning materiality.	£6,000
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£1,000



Source: Audit Scotland

## Timetable

**21.** To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

## Exhibit 4

### Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	08 June 2020
Latest submission date of unaudited annual accounts with complete working papers package	9 June 2020
Latest date for final clearance meeting with Treasurer or finance officer	24 August 2020
Issue of Letter of Representation and proposed independent auditor's report	14 September 2020
Agreement of audited unsigned annual accounts	14 September 2020
Issue of Annual Audit Report to those charged with governance	14 September 2020
Independent auditor's report signed	16 September 2020

## Internal audit

**22.** Internal audit is provided by the internal function at Renfrewshire Council. As part of our planning process, we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). This has been carried out by the Renfrewshire Council audit team and concluded that the internal audit function at Renfrewshire Council complies with PSIAS and that appropriate documentation standards and reporting procedures are in place.

## Using the work of internal audit

**23.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to use the work of internal audit wherever possible to avoid duplication. We do not plan to use the work of internal audit for our financial statements audit work. However, we have considered the findings of the work of internal audit as part of our planning process.

## Audit dimensions

**24.** 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, and value for money.

**25.** The Code of Audit Practice 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. In the light of the nature of operations and arrangements for processing transactions, we plan to apply the small body provisions of the Code of Audit Practice to the 2019/20 audit of Clydeplan.

## Financial sustainability

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

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether Clydeplan can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

## Governance and transparency

**27.** Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information. We will review, conclude and report on the appropriateness of disclosures in the Governance Statement.

## Independence and objectivity

**28.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**29.** The engagement lead (i.e. appointed auditor) for Clydeplan is Mark Ferris, Senior Audit Manager. Auditing and ethical standards require the engagement lead to communicate any relationships that may affect the independence and objectivity

of audit staff. We are not aware of any such relationships pertaining to the audit of Clydeplan.

## Quality control

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

**31.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

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

# Glasgow and the Clyde Valley Strategic Development Authority

## Annual Audit Plan 2019/20

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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