

Glasgow and the Clyde Valley Strategic Development Planning Authority

2019/20 Annual Audit Report



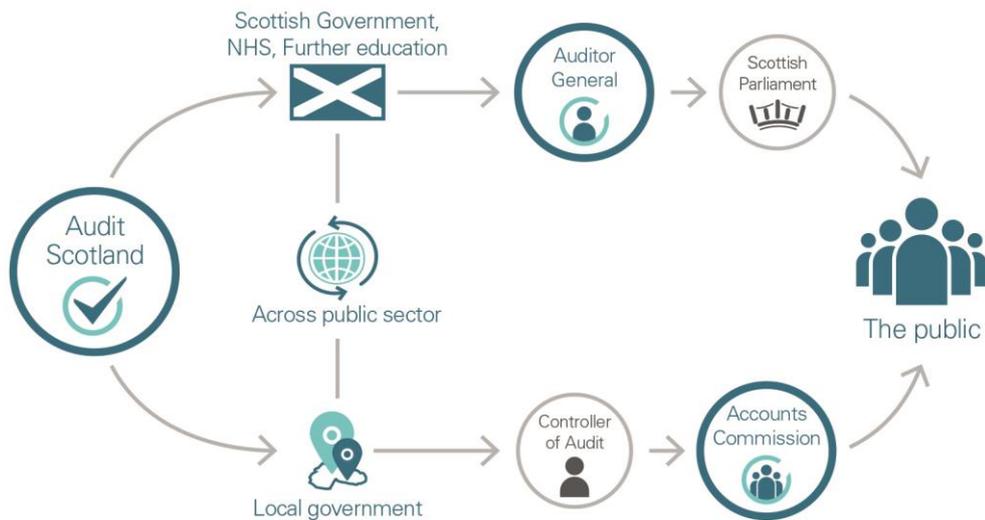
Prepared for Glasgow and the Clyde Valley Strategic Development Planning Authority Joint
Committee and the Controller of Audit

October 2020

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

- The Auditor General for Scotland 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.
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Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General for Scotland 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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Key messages

2019/20 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 in accordance with the financial reporting framework.
- 2** The Management Commentary, the Annual 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.
- 3** The financial statements were adjusted to reflect an updated estimate of the impact of the McCloud / Sargeant legal judgement on the pension liability. This resulted in a decrease of £32,000 in expenditure, with a corresponding decrease in the pension liability and pension reserve.

Financial sustainability and Annual Governance Statement

- 4** A deficit of £36,800 for the financial year 2019/20 was incurred, compared to a budgeted deficit of £15,800, which represents an overspend of £21,000 that was met through the use of reserves.
- 5** The financial planning arrangements in place have allowed management to plan for future pressures and take action where required.

Introduction

1. This report summarises the findings from our 2019/20 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 16 March 2020 meeting of the Joint Committee. This report comprises the findings from:

- an audit of the Clydeplan annual report and accounts
- consideration of financial sustainability and the Annual Governance Statement.

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, Clydeplan has had to respond to the COVID-19 pandemic. This impacted on the final month of the year and will continue to have an impact into the financial year 2020/21. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements.

Adding value through the audit

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

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.

5. 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

6. 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.

7. 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 \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on Clydeplan's Best Value arrangements is focussed on the bodies use of resources to secure financial sustainability.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

9. 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 Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2019/20 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code of Audit Practice to the 2019/20 audit.

10. This report raises matters from our audit. 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.

Auditor Independence

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 2019/20 audit fee of £2,960 as set out in our Annual Audit Plan, remains unchanged.

12. We are not aware of any relationships that could compromise our objectivity and independence.

13. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website 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, particularly given the difficulties of auditing remotely during the COVID-19 pandemic.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Clydeplan's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary, the Annual 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 financial statements were adjusted to reflect an updated estimate of the impact of the McCloud / Sargeant legal judgements on the pension liability. This resulted in a decrease of £32,000 in expenditure, with a corresponding decrease in the pension liability and pension reserve.

Our audit opinions on the annual accounts are unmodified

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

16. The annual accounts for the year ended 31 March 2020 were approved by the Joint Committee on 26 October 2020.

17. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the Management Commentary, the Annual 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.

The annual accounts were signed off before the revised statutory deadline

18. The unaudited annual accounts were received in line with our agreed audit timetable on 8 June 2020, were complete and of a good standard. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

19. The Local Authority Accounts (Scotland) Regulations 2014 require the annual accounts to be approved for signature by 30 September 2020. However, the Coronavirus (Scotland) Act 2020 provided flexibility and allowed the approval of the accounts to be delayed until 30 November 2020. We discussed the revised timescales with management and agreed to make use of this flexibility in completing the audit and approval of the annual accounts. A revised date of 26

October 2020 was agreed, and this allowed the revised statutory deadline to be met.

Overall materiality is £8,000

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

21. On receipt of the unaudited accounts, we reviewed our materiality calculations and concluded that no changes were required to our planned levels.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£8,000
Performance materiality	£6,000
Reporting threshold	£1,000

Source: Annual Audit Plan 2019/20

Appendix 1 identifies the main risks of material misstatement and our audit work to address these

22. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

We have no significant findings to report on the accounts, except for those included at Exhibit 2

23. 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. We have no significant findings to report around the qualitative aspects. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Pension Liability</p> <p>The pension liability in the financial statements included the estimated impact of the McCloud / Sargeant legal judgements. The estimated impact was first assessed by the pension fund actuary in 2018/19 and this was reflected in the 2019/20 unaudited financial statements using the most up-to-date information at that time. A potential remedy for the legal judgements was since announced and the actuary estimated this could result in a decrease of up to 50% on the initial estimate.</p> <p>Management requested an updated pension valuation report from the actuary and have adjusted the financial statements to reflect the updated estimate. This net impact was to reduce expenditure by £32,000, with a corresponding decrease in the pension liability and the pension reserve.</p>	<p>Management agreed to adjust the financial statements to reflect the updated estimate from the actuary.</p>

Source: Audit Scotland

Other findings

24. Management recognised a provision of £8,317 in the 2019/20 financial statements in relation to untaken staff leave. This had been recognised as an accrual in prior years' financial statements. Following discussions with management, it was agreed that recognising this as a provision was not appropriate and should continue to be recognised as an accrual. Management agreed to this adjustment and reclassified the balance. As this was a classification adjustment, this did not impact on net expenditure for the year or the net Balance Sheet position.

Adjustments of £40,317 were processed in the annual accounts. These were greater than our performance materiality, but we did not need to revise our audit approach

25. Total adjustments of £40,317 were processed in the financial statements. These related to the pension liability discussed above in [Exhibit 2](#) and the provision for untaken staff leave discussed in paragraph 24. We have concluded that the adjustments were due to the specific circumstances around the item in question, were isolated and identified in their entirety and do not indicate systemic error.

26. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. Although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

27. There were no adjustments, other than those outlined at paragraph 25, above our reporting thresholds identified from our audit.

Recommendations from the 2018/19 audit have been addressed

28. An issue was identified during the 2018/19 audit around the accounting treatment for the Green Network Partnership (GNP). As a result, we recommended management review and clarify the terms of reference and governance documents for the GNP. Management carried out this review and explained these documents

remain the sole governing documents for this purpose. Consequently, in the absence of any new information and potential changes to governance, no changes have been made and the annual accounts were prepared on the same basis previously agreed. We concluded this approach was reasonable and no further review of the terms of reference or governance documents is required to clarify the accounting treatment for the GNP.

Part 2

Financial sustainability and Annual Governance Statement



Main judgements

A deficit of £36,800 for the financial year 2019/20 was incurred, compared to a budgeted deficit of £15,800, which represents an overspend of £21,000 that was met through the use of reserves.

The financial planning arrangements in place have allowed management to plan for future pressures and take action where required.

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 2019/20

29. 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 was to be addressed through the use of reserves. Requisition income remained unchanged at £0.580 million. However, the Joint Committee agreed at a subsequent meeting to return £20,000 of reserves to each member council in 2019/20 and this was reflected in a one-off payment which resulted in requisition income decreasing to £0.420 million for the year.

30. Actual outturn in 2019/20 was total expenditure of £0.738 million and total income of £0.701 million, resulting in a deficit of £36,800. This was met through the use of reserves. The main factors with regard to variances are set out in the Management Commentary in the annual accounts.

Short term financial planning

31. The Joint Committee approved the 2020/21 budget in December 2019. Total budgeted expenditure was £0.634 million and total budgeted income was £0.634 million. The largest source of income for Clydeplan is requisitions from members and this remains unchanged at £0.580 million.

Medium to long term financial planning

32. 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.

33. 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.

34. The audited annual accounts for 2019/20 confirm a useable reserve balance of £0.274 million. This balance reflects the reduction in requisition income in 2019/20

outlined in paragraph 29 to return reserves to member councils. In order to ensure the ongoing sustainable funding position of the Joint Committee, requisition income for 2020/21 was approved at pre-2019/20 levels of £0.580 million. The Joint Committee's expenditure is projected to require the full requisition income available in the coming years.

35. This level of requisition and reserves ensures the financial and operational sustainability of the organisation while also continuing to maintain reserves at a level which should contain the short-term impact of any other unforeseen risks and events.

36. On 25 July 2019, the Planning (Scotland) 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.

37. The most current Clydeplan Strategic Development Plan (2017) will remain in force until the approval of National Planning Framework 4 which is anticipated in 2021. In the interim, as required by the current statutory provisions, Clydeplan will continue to prepare its Development Plan Scheme and Participation Statement, whilst recognising the requirement to support the preparation of National Planning Framework 4. In addition, Clydeplan continues to engage with key stakeholders in developing and undertaking their strategic planning activities.

38. 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.

Annual Governance Statement

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

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

Appendix 1

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.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</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>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2 Risk of material misstatement caused by fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the 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>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on whether expenditure is processed in the correct accounting year.</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory 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>Conclusion: no evidence of fraud over expenditure.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Risk of material misstatement caused by accounting for pensions</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>Completion of 'review of the work of Management's expert' for the pension fund actuary.</p> <p>Review of the estimates used, and assumptions made in calculating the pension fund 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>As outlined in Exhibit 2, an adjustment was processed to reflect an updated estimate of the impact of the McCloud / Sargeant legal judgement.</p> <p>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</p>
<p>4 Risk of material misstatement caused by accounting for the Green Network Partnership</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. As part of work on the consolidation, it was noted that the GNP's Terms of Reference and governance documents lacked detail, leading to difficulties in assessing the GNP's structure. A recommendation was made in our 2018/19 Annual Audit Report for management to review the Terms of Reference and</p>	<p>Review of the GNP's updated Terms and Reference and governance documents to assess its structure.</p> <p>Review of the accounting treatment for the GNP in the 2019/20 financial statements and concluding on its appropriateness.</p>	<p>A review of the unaudited annual accounts 2019/20 was carried out to assess the accounting treatment for the GNP. The accounting treatment was in line with the agreed approach used for the 2018/19 audited annual accounts.</p> <p>Conclusion: Details on the GNP's financial performance were included as a note to the accounts. This is in line with prior year accounting treatment and as there have been no change to the GNP terms of reference or governance documents during 2019/20, this was considered to be reasonable.</p>

Audit risk	Assurance procedure	Results and conclusions
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.		

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

<p>5 Future operations and structure of Clydeplan</p> <p>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.</p>	<p>Review of updates and papers reported to the Joint Committee.</p> <p>Discussions with management about developments impacting on the future operations and structure of Clydeplan.</p>	<p>A review of updates and papers to the Joint Committee highlighted that consideration of the process for formal dissolution of the Joint Committee was discussed and approved at the March 2020 meeting. However, no timescale was set within these papers.</p> <p>From discussions with management, it was noted this is being taken forward, but it is likely the impact of COVID-19 will delay this process into 2021/22.</p> <p>Conclusion: Changes to the future operations and structure of Clydeplan and the Joint Committee are yet to be formally agreed and progressed.</p>
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Glasgow and the Clyde Valley Strategic Development Planning Authority

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