

Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee

**Report to Members and the Controller of Audit
on the 2009/10 Audit**

October 2010



 **AUDIT SCOTLAND**



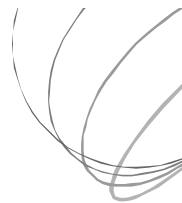
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Key Messages

In 2009/10, we audited the financial statements and looked at aspects of governance within the Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee. This report sets out our main findings.

Overall, we found the financial stewardship of the Glasgow and the Clyde Valley Strategic Development Planning Authority (GCV) during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- An unqualified opinion has been issued on the financial statements for 2009/10.
- Final accounts preparation procedures and working papers were of a good standard and this enabled the audit to progress smoothly.
- The GCV has a sound corporate governance framework.

Renfrewshire Council provide internal audit services to the GCV. The Statement on the System of Internal Financial Control for the year 2009/10, signed by the Treasurer and Manager of the GCV, concluded that the GCV has in place a sound system of internal financial control with no identified material weaknesses. Our audit work resulted in findings consistent with that opinion.



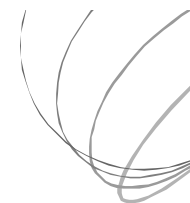
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Introduction

1. The members and officers of the GCV are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - The financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed.
 - The GCV's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests.
 - The GCV has adequate corporate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability.
 - The systems of internal control provide an appropriate means of preventing or detecting material mis-statement, error, fraud or corruption.
 - The GCV has proper arrangements for securing best value in its use of resources.

2. This report summarises the most significant issues arising from our work during 2009/10.



Financial statements

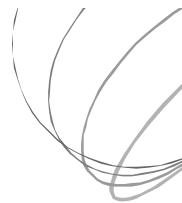
3. In this section we summarise key outcomes from our audit of the GCV's financial statements for 2009/10.

Auditor's report

4. We have given an unqualified opinion on the financial statements of the GCV for 2009/10, concluding that the financial statements:
 - give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of the joint committee as at 31 March 2010 and its income and expenditure for the 13 month period then ended
 - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Financial position

5. The GCV's balance sheet as at 31 March 2010 reflected net liabilities of £554,000, a decrease of £559,000 over the previous year wholly due to movement in the pension liability during 2009/10. This deterioration is principally due to a reduction in discount rates applied to future liabilities partially offset by a recovery of asset values in the stock market. As the Explanatory Foreword in the financial statements notes, this assessment is a snapshot of the position as at the year end. The host council (Renfrewshire) has received advice from the appointed actuaries that asset holdings and planned increases in employers' contributions provide sufficient security and income to meet future pension liabilities. Therefore in our opinion, it is reasonable that the accounts are prepared on a going concern basis.
6. The joint committee commenced on 28 February 2009. The accounts to 31 March 2010 therefore cover a 13 month period. Over this 13 month period (after adjusting for FRS 17 pension cost adjustments) the GCV generated a surplus of £114,000 compared to a surplus of £64,000 for the previous 11 month period to 27 February 2009 from the forerunner organisation (Glasgow and the Clyde Valley Structure Plan Joint Committee).
7. When this surplus is added to previous years retained balances, the GCV at 31 March 2010 held £515,000 of funds overall. The GCV is not permitted to hold reserves therefore these funds are shown within creditors on the face of the balance sheet. The Treasurer's Foreword to the accounts stated that of this figure of 515,000, £26,000 is ring- fenced for the finalised alteration to the Structure



Plan, £12,000 for the information technology project, £258,000 for contingency funds (for work-streams relating to climate change and surveys) and £220,000 for general reserves.

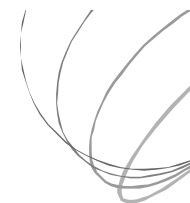
8. From a report to the joint committee in June 2010 we are aware that the general reserves are being considered for use in off-setting contribution reductions from the constituent authorities. The draft budget (submitted to the joint committee in September 2010) outlined a contribution reduction from the previous year of 5% for 2011/12 and a standstill (i.e. 2011/12 levels repeated) in 2012/13. It is felt that such reductions (whilst significantly reducing general reserves) will still allow enough funds to address unforeseen contingencies.

Accounts preparation and submission

9. The GCV's financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation procedures and working papers were generally of a good standard. Adjustments in relation to accruals and a consolidation schedule (in order to incorporate the Green Network Partnership balances) resulted in a £9,000 increase in the surplus for the 13 month period from the draft set of accounts. Other issues highlighted included some minor presentation points and the correct disclosure of lease arrangements in the financial statements presented for audit. All adjustments were satisfactorily corrected following discussion with officers.
10. Local authorities and joint boards in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP'). The financial statements of the GCV comply with the provisions of the SORP as it applies to the nature of the GCV's activities.
11. The audited accounts were certified on 23 September 2010 and are now available for presentation to the joint committee and for publication. The financial statements are an essential means by which the joint committee accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

Financial outlook

12. The financial outlook for the GCV is challenging given the economic pressures currently facing all public bodies. As mentioned previously (in paragraph 8) contributions from member authorities are reducing by 5% from 2011/12 onwards, which will be offset by a draw-down from general reserves. The level of contributions for 2010/11 represented a 1.2% increase from the previous year (which is compared to a previous 3.5% increase in 2009/10). In order to maintain requisitions at this lower rate going forward however the GCV will require to achieve ongoing cost reductions.



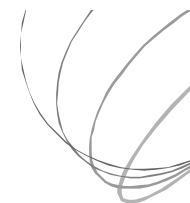
13. Other income streams (such as earned interest and sale of publications) are anticipated to decrease in 2010/11, although this is partly set-off against a reduction in employee costs caused by a forecast reduction in superannuation costs. The joint committee is also committed to continually identifying efficiency savings (such as the availability of publications on-line which saves printing costs but conversely leads to a drop in income). However the budget paper highlights that there is a limit to what can be achieved in a budget with a high proportion of fixed costs.
14. The most recent budget monitoring report (submitted to the joint committee in September 2010) highlights a small under-spend for the period to 23 July 2010 of £1,000. The report forecasts that the level of draw-down from reserves for the year will be £13,000 which is roughly in line with the approved budget figure of £12,400.
15. As at 31 March 2010, a pension liability of £554,000 existed for GCV and Green Network Partnership staff. The future extent of pension assets or liabilities will depend largely on the future investment performance of the Strathclyde Pension Fund which should be monitored by member authorities.

IFRS Preparation

16. In 2010/11 all local authority bodies in Scotland (including GCV) will be required to prepare annual financial statements in accordance with International Financial Reporting Standards (IFRS). In order to prepare for this change, in 2009/10 local authority bodies have been required to prepare restated balance sheets as at 1 April 2009 (in order to provide prior year comparatives to 2010/11 accounts). During 2009/10 we undertook a review of the GCV's restated balance sheet as at 1 April 2009 which we found to be satisfactory following some minor amendments.

Legality

17. Each year we request written confirmation from the Treasurer that the GCV's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes and checklists. The Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of members and officials of the GCV, the financial transactions of the joint board were in accordance with the relevant legislation and regulations governing its activities.



Corporate governance

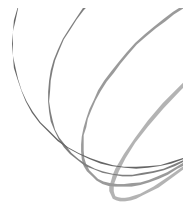
18. In this section we comment on key aspects of the joint committee's governance arrangements during 2009/10.

Overview of arrangements in 2009/10

19. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. Based on responses provided by officers to an annual corporate governance assessment, we understand that the GCV has in place a number of policies and procedures (such as the financial regulations, procedural standing orders and information security policy) which are placed on its intranet. We also understand that risk analysis is taken into consideration for each development scenario and that Renfrewshire Council's risk manager has offered the joint committee support in this area.

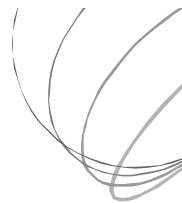
Systems of internal control

20. Internal audit plays a key role in the GCV's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. Internal audit's programme of work is based on a five year cyclical approach based on an assessment of risk. In 2009/10 the only report issued was the annual report (which incorporates the annual assurance statement) however in 2010/11 there is a planned review of budget monitoring arrangements.
21. Internal audit reviewed Renfrewshire Council's payroll, creditors, main financial (ledger) and debt management systems (which are all used by the joint committee) and found these to satisfactory. The annual assurance statement is largely based upon this work.
22. We have also reviewed Renfrewshire Council's main financial systems as part of our annual work and our findings are consistent with those of internal audit with only a small number of minor issues highlighted in a management letter issued to the Director of Finance and Corporate Services in June 2010. We have also undertaken an overview of internal audit (as reported in a management letter in January 2010) and found that the section has appropriate resources, documentation standards and reporting procedures to allow us to review and place reliance on aspects of their work during the year.



Relationship with host authority

23. Renfrewshire Council is the host authority for the joint committee, and as such provides various support services (such as finance, personnel, legal and administration). The host authority in turn charges the joint committee for the provision of these services. In 2009/10 these costs amounted to £28,548. From discussion with officers we are aware that a formalised service level agreement (SLA) exists for some of these services (legal and administration) but not for others such as finance, although we understand there has been some work performed in this area. Going forward, formalised SLAs should be in place to cover all aspects of service provision from the host authority. Consideration should be given to developing one SLA covering all aspects of service provision rather than several different ones.



Performance

Overview of performance reviews undertaken in 2009/10

24. During 2009/10 there were no such performance reviews undertaken, however we are aware (through review of the joint committee minutes) that the Main Issues Report (MIR) of the Strategic Development Plan was discussed at a meeting in September 2010 with the intention of seeking approval prior to submission to the Scottish Government. This meets with the timescale outlined in the June committee meeting and a period of consultation for the MIR is due to run from 30 September to 26 November 2010.
25. We understand that following this period of consultation a draft proposed plan will be prepared which is due for publication following a meeting of the joint committee in March 2011. There will then begin a period of consultation which will run into early summer before the finalised report is produced in September 2011 and submitted to the Scottish Government in October of that year. The MIR highlights that in order to ensure that the eventual plan is most effective it is essential that all stakeholders and interest parties are involved at this stage. We will review progress over the year and incorporate our findings in our annual report in 2010/11.
26. The co-operation and assistance given to us by the GCV members, officers and staff is gratefully acknowledged.