



# Glasgow and the Clyde Valley Strategic Development Planning Authority

## Annual report on the 2012/13 audit



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

October 2013

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# Contents

<b>Key Messages .....</b>	<b>4</b>
2012/13.....	4
Outlook.....	4
<b>Introduction.....</b>	<b>5</b>
<b>Matters to be reported .....</b>	<b>6</b>
Conduct and scope of the audit.....	6
Audit opinion & accounting issues .....	6
Financial results .....	6
Financial planning .....	7
Corporate governance and systems of internal control.....	8
Best value and performance.....	9
Acknowledgements .....	10
<b>Appendix A: Action Plan .....</b>	<b>11</b>
Issues and Planned Management Action .....	11

# Key Messages

## 2012/13

We have given an unqualified opinion that the 2012/13 financial statements of Glasgow and the Clyde Valley Strategic Development Planning Authority (the authority) give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The Comprehensive Income and Expenditure Statement for 2012/13 shows an accounting surplus on the provision of services of £127,155. The surplus as presented in the treasurer's foreword in the financial statements of £118,496 is different because it excludes the results of the Green Network Partnership (GNP) and also excludes pension adjustments and employee leave accrual. The budget on this basis was to breakeven and the difference from final outturn surplus of £118,496, on total income of £640,000, was largely due to savings on staff costs and other income being higher than expected.

The balance sheet at 31 March 2013 shows net liabilities of £353,273 (£204,933 as at 31 March 2012), a significant deterioration over the previous year but this is mainly due to the movement in the pension liability during 2012/13, which increased by £143,000.

Overall the system of internal control and arrangements for the prevention and detection of fraud were satisfactory during 2012/13. Clearer governance arrangements for Green Network Partnership were put in place during the year.

## Outlook

The authority's 2013/14 budget is to break-even, based on income and expenditure of £0.596m (2012/13 £0.592m).

Balances due to member authorities reflect accumulated 'revenue reserve' of £431,388 (31 March 2012 £312,893); the increase reflecting the 2012/13 surplus of £118,496. £198,386 is earmarked for specific purposes leaving £233,000 for general purposes, which is 39% of 2013/14 budget (and of 2014/15 and 2015/16 indicative budgets). This level of 'reserves' should be reviewed as part of budget setting to assess levels which cover budget risks to delivering the work of the authority and what could be utilised.

# Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Glasgow and the Clyde Valley Strategic Development Planning Authority (the authority). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of the authority and no responsibility to any third party is accepted.
3. [Appendix A](#) is an action plan setting out the high level risks we have identified from the audit. Management have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Authority understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is also addressed to the Controller of Audit and will be published on our website after consideration by the authority. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

# Matters to be reported

## Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan issued to the Treasurer on 23 March 2013 and presented to the authority on 10 June 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
6. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any additional work outwith our planned audit activity the fee remains unchanged.

## Audit opinion & accounting issues

7. We have given an unqualified opinion that the financial statements of the authority for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 26 September 2013.
8. We received the unaudited financial statements on 18 June 2013, in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team which enabled us to complete our on-site fieldwork by the planned target date.
9. The authority is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code) and we can confirm that the financial statements have been properly prepared in accordance with the 2012/13 Code.
10. The most significant changes, required to the financial statements as a result of the audit process and under the accounting guidelines, were outlined in our International Standard on Auditing (ISA) 260 report, issued to management on 20 September 2013.
11. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements.

## Financial results

### 2012/13 Outturn

12. The Comprehensive Income and Expenditure Statement for 2012/13 shows an accounting surplus on the provision of services of £127,155. The surplus as presented in the treasurer's foreword in the financial statements of £118,496 is different because it excludes the results of the Green Network Partnership (GNP) and also excludes items such as pension adjustments

and employee leave accrual. It is presented in this manner as the budget is prepared without these adjustments.

13. The £118,496 surplus (18% of total income) compared to the budget break even position was mainly attributable to:
  - an underspend of £42,777 on staff costs due to maternity leave, vacancy management and staff secondment
  - other income higher by £47,679 mainly due to additional grant income.
14. Compared to the previous year, 2012/13 total expenditure in the Comprehensive Income and Expenditure Statement decreased by 19%, which reflects a significant decrease in staff costs from £683,719 to £361,363. The number of staff has decreased reflecting the status of the development plan and last year also included severance costs, which were not incurred in 2012/13. The requisition income level decreased by 10% in line with the approved 2012/13 revenue estimates.

### 2012/13 financial position

15. The balance sheet at 31 March 2013 shows net liabilities of £353,273 (£204,933 as at 31 March 2012), a significant deterioration over the previous year but this is mainly due to the movement in the pension liability during 2012/13, which increased by £143,000. This is attributable to changes in the pension fund actuary's assumptions: higher pension and salary increase rates and lower expected return on pension assets.
16. A material net liability can highlight a potential going concern issue however, we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers, together with increases in contributions, provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

### Financial planning

17. The authority's income and expenditure have been projected in its revenue estimates for a three year period up to 2015/16 based on predicted levels of operating income and expenditure and with the assumption no change in the requisition levels, in recognition of the material 10% reduction achieved from 2011/12 to 2012/13.
18. In September 2012 the authority approved budget for 2013/14 with a break even position, based on income and expenditure of £596,400. The only areas where the budget has changed when compared to 2012/13 are small staff cost increase of £4,000 and other income matching increase of £4,000. The other budget areas maintain 2012/13 levels of income and expenditure.
19. The most recent financial monitoring report for 2013/14 highlighted that, as at 16 August 2013, the authority is £13,000 (34%) underspent against period-to-date budget but officers assess the projected outturn will be breakeven.

20. Balances due to member authorities reflect accumulated 'revenue reserve' but as the authority is not permitted to hold reserves, these funds are disclosed within the creditors' line on the face of the balance sheet (as the funds are in a surplus position and are in effect owed back to the member authorities). The balance as at 31 March 2013 was £431,388 (31 March 2012 £312,893); the increase reflecting the 2012/13 surplus of £118,496. September 2012 budget papers, and the accounts, explain £198,386 is earmarked for specific purposes leaving £233,000 for general purposes, which is 39% of 2013/14 budget (and of 2014/15 and 2015/16 indicative budgets). This level of 'reserves' for general purposes seems high compared to annual budget.

**Refer to Action Point 1**

## Corporate governance and systems of internal control

### Overall governance arrangements

21. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and we found that the authority has satisfactory governance arrangements in place.
22. Since the year-end, the authority has reviewed and updated governance documents including the Minute of Agreement among participating local authorities; scheme of delegations and financial regulations.

### Accounting and internal control systems

23. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
24. With Renfrewshire Council (the council) being the host for the authority, all financial transactions of the authority are processed through the financial systems of the council and are subject to the same controls and scrutiny of the council including regular reviews of internal audit.
25. In the Internal Audit Annual Report 2012/13, the Chief Auditor concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the authority's internal, risk management and governance arrangements. We assess the work of internal audit and where possible place reliance on their work. For 2012/13 we placed reliance on aspects of their testing on council systems. Internal audit reported on some system weaknesses on trade payables and we carried out additional substantive testing and results were satisfactory.

### Prevention and detection of fraud and irregularity

26. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall

arrangements for the prevention of fraud within the authority are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

## Standards of conduct and arrangements for the prevention and detection of corruption

27. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

## Green Network Partnership

28. In October 2012 we reported that aspects of governance arrangements for GNP required clarification and officers at the authority and the council agreed to review the governance arrangements and put in place clearer arrangements for the GNP.
29. Following a review, in December 2012, the Strategic Development Plan Manager presented revised terms new terms of reference for the Glasgow and the Clyde Valley Green Network Partnership which acknowledged that stronger links with the authority would strengthen public scrutiny of the work of GNP. Members will now:
- approve local authority contributions to support the GNP's business plan
  - review and approve GNP's business plan and revenue estimates
  - annually receive and review progress against GNP business plan targets.
30. The terms of reference also confirmed that GNP's income and expenditure will continue to be incorporated into the annual accounts of the authority.
31. Members approved the 2013-16 business plan in June 2013, which included a budget. At the same meeting they approved new financial regulations ascertaining the fact that these would also apply to GNP.
32. There are now clearer arrangements in place. Internal audit are planning a review of GNP as part of their 2013/14 work programme and we will review their findings as part of our 2013/14 work.

## Best value and performance

33. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure best value. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
34. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments

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35. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
  36. This section includes a commentary on the performance management arrangements within the authority and note any headline performance outcomes/ measures used by the Authority.

### **Management arrangements**

37. The Strategic Development Plan Manager provides updates to each meeting of the authority on progress of the strategic development plan. An annual report for 2012 was submitted to members at their March 2012 meeting, which described an overview of the work undertaken including: progress on the strategic development plan, cities agenda, priorities and issues affecting future work.

### **Strategic Development Plan**

38. We reported last year that the plan Strategic Development Plan (SDP) was approved in May 2012 and an action Programmes in support of the SDP has been prepared which will now be monitored every two years as part of the monitoring of the SDP.
39. Future priorities for the work of the authority and updating the plan will be influenced by the continuing economic climate on delivering the plan and the increasing emphasis on the role of cities. Consultants have been engaged to provide economic forecasts for the Glasgow and Clyde Valley city region and the authority has started to plan for consulting stakeholders for the reviewing the current SDP.

### **Acknowledgements**

40. We would like to express our thanks to the staff of Renfrewshire Council and the authority for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# Appendix A: Action Plan

## Issues and Planned Management Action

Action Point	Refer Para No	Issue Identified	Planned Management Action	Responsible Officer	Target Date
1		<p>Balances due to member authorities reflect accumulated 'revenue reserve'. The balance as at 31 March 2013 was £431,388 split into is earmarked (£198,386) and general (£233,000). General is 39% of 2013/14 budget (and of 2014/15 and 2015/16 indicative budgets). This level of 'reserves' for general purposes seems high compared to annual budget.</p> <p><b><i>Risk: the authority is not making best use of accumulated balances in budget plans.</i></b></p>	<p>The Strategic Development Plan Manager and the Treasurer will review the level of reserves whilst undertaking the 2014/15 budget setting process; and will if required propose to the Committee a reimbursement of requisitions to member authorities.</p>	Strategic Development Plan Manager	December 2013