

Glasgow and the Clyde Valley Strategic Development Planning Authority

2021/22 Annual Audit Report



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

24 October 2022

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Key messages

2021/22 annual 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.

Financial sustainability

- 2 A deficit of £69,764 has been incurred for the financial year 2021/22. This resulted in an underspend of £85,436 against the planned budget deficit of £155,200.
- 3 A net expenditure position of £30,000 is predicted for 2022/23 with the 2023/24 and 2024/25 indicative budgets both estimating a break-even position. The financial planning arrangements in place have allowed management to plan for future pressures and take action where required.

Annual Governance Statement

- 4 Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

Introduction

1. This report summarises the findings from our 2021/22 audit of Glasgow and the Clyde Valley Strategic Development Planning Authority (hereafter known as Clydeplan).
2. The scope of our audit was set out in our 2021/22 Annual Audit Plan circulated to the Glasgow and the Clyde Valley Strategic Development Planning Authority Joint Committee on 31 March 2022. This report comprises the findings from:
 - an audit of Clydeplan's annual accounts
 - our consideration of financial sustainability and the Annual Governance Statement.
3. The global coronavirus pandemic has had minimal impact on Clydeplan during 2021/22. Revised governance procedures have operated effectively throughout the year and are considered reasonable.

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
 - sharing intelligence and good practice through our national reports (++) and good practice guides
 - providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.
5. In doing so, 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 and 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. Also, 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 their 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 2016 and supplementary guidance.

9. The [Code of Audit Practice 2016](#) (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 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2021/22 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.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

12. 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £3,120 as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both Clydeplan and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

15. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Azets will be the appointed auditor for Clydeplan. We are working closely with the new auditors to ensure a well-managed transition.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

18. We would like to thank Glasgow and the Clyde Valley Strategic Development Planning Authority Committee members, management and other staff, particularly those in finance for their co-operation and assistance over the last six years.

Part 1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

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

Our audit opinions on the annual accounts are unmodified

19. The annual accounts for the year ended 31 March 2022 were approved by the Joint Committee on 24 October 2022. 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 in line with the agreed timetable

20. Submission dates for the annual audit report and audited annual accounts for 2019/20 and 2020/21 were deferred in line with the later dates for producing the annual accounts because of the impact of Covid-19. Audit Scotland has set target dates for 2021/22 which transition to more regular timescales. For 2021/22, the target deadline for the audited accounts is 31 October 2022.

21. The unaudited annual accounts and working papers were received in line with our agreed audit timetable on 17 June 2022. The unaudited annual accounts provided for audit were complete and of a good standard and Finance staff provided good support to the audit team, which helped ensure the final accounts audit process ran smoothly.

Overall materiality is £13,000

22. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual

accounts and it was concluded no changes were required to our planned levels. Materiality is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£13,000
Performance materiality	£10,000
Reporting threshold	£1,000

Source: Annual Audit Plan 2021/22

23. In determining performance materiality we considered the nature and complexity of Clydeplan's accounts as well as the low history of errors.

24. 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. We have one issue to report from the audit, [see exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Guaranteed Minimum Pensions</p> <p>A contingent liability of £21,000 was originally disclosed in the unaudited financial statements in relation to Guaranteed Minimum Pensions (GMP). This should have been recognised within the overall pension liability. This adjustment also required to be amended in the prior year.</p>	<p>Management amended the 2021/22 financial statements to reflect the GMP liability and removed the contingent liability. The 2020/21 accounts were restated to reflect the prior year adjustment.</p>

25. There were a number of other audit findings in relation to the following areas noted below. Appendix 1 details the recommended action plan in relation to these:

- **Related parties** – Clydeplan's related parties note was reviewed against the requirements of IAS 24 and Audit Scotland's Good Practice Note. Management has updated and expanded the disclosure within the annual accounts. The process could be further improved by management:
 - conducting a review of the register of interest of each Joint Committee member against a year-end transaction listing to identify any related party disclosures

- consideration of the interests of close persons or family members of those related to Clydeplan in the identification of related parties
 - adding a link in the note to signpost to Joint committee members Register of Interests
 - including a definition of what a related party is to increase understandability for the reader and an explanation/note as to what is considered material/significant to ClydePlan.
- **Clydeplan lease arrangements** - Clydeplan lease arrangements for West Regent Street expired in October 2019 and arrangements were made to operate from Glasgow City Council (GCC) with no charge. There is no written agreement or formal documentation outlining these arrangements. As part of the approved budget, Clydeplan included a contingency amount in the event that this arrangement changes in-year.
 - **Risk monitoring and review** – As part of planning work we reviewed risk management arrangements at Clydeplan. It is unclear how regularly risks are reviewed, and updated risk registers are not regularly reported to the Joint Committee for review and comment.
 - **Pension Reconciliation** - There is a difference in the employer contribution figure recognised in Clydeplan's ledger and the Hyman's Robertson IAS 19 report of £4,543. Management advised the difference is as a result of payroll operating on a cash basis whilst the ledger is on an accrual basis. However no reconciliation has been undertaken.

26. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding</p>	<p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p>	<p>No unusual or inappropriate activity brought to our attention through management enquiries.</p> <p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>No unusual transactions outside the normal course of business were identified.</p> <p>A review of accounting estimates did not reveal</p>

Audit risk	Assurance procedure	Results and conclusions
controls that otherwise appear to be operating effectively.	<p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments.</p>	<p>inappropriate changes to methods, underlying assumptions or any evidence of bias.</p> <p>Transactions selected for cut-off testing were all accounted for in the correct year.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Conclusion: no evidence of management override of controls.</p>

Other areas of audit focus

27. The overall scope of the audit was adapted to incorporate the significant assessed risks of material misstatement included within [Exhibit 3](#) and [4](#). We have no significant findings to report on the annual accounts.

28. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- **Measurement and judgements applied to the valuation of pension liabilities:** As at 31 March 2021, Clydeplan recognised a net liability of £0.347 million relating to its share of the Strathclyde Pension Fund liability. 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.

29. We have kept this area under review throughout our audit. One matter in relation to the valuation of pension liabilities has been highlighted within Exhibit 2 of this report.

Identified misstatements of £23,320 were adjusted in the accounts

30. Total misstatements identified were £23,320. £21,000 of this was in relation to the GMP issue raised within Exhibit 2. £2,320 related to an amount paid for water charges to West Regent Street that Clydeplan are owed due to no longer leasing the premises. No debtor had been raised within the 2021/22 financial statements and management agreed to correct.

31. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

32. Adjustments made in the audited accounts:

- increased debtors and prepayments by £2,320 and increased creditors and accruals by £2,320
- decreased pension asset by £21,000 and decreased unusable reserves by £21,000.

33. 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. Management have adjusted all identified misstatements above our reporting threshold; there are no unadjusted errors to report.

Part 2. Financial sustainability and Annual Governance Statement

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

A deficit of £69,764 has been incurred for the financial year 2021/22. This resulted in an underspend of £85,436 against the planned budget deficit of £155,200.

A net expenditure position of £30,000 is predicted for 2022/23 with the 2023/24 and 2024/25 indicative budgets both estimating a break-even position. The financial planning arrangements in place have allowed management to plan for future pressures and take action where required.

Disclosures in the Annual Governance Statement are consistent with the financial statements and the statement has been prepared in accordance with the relevant statutory guidance.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

34. [Exhibit 4](#) sets out the significant risks of material misstatement we identified in our 2021/22 audit, our assurance procedures and the results and conclusions from our work. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and informed where the efforts of the team were directed.

Exhibit 4

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

Audit risk	Assurance procedure	Results and conclusions
Financial sustainability The audited annual accounts for 2020/21 confirm a useable reserve balance of £383,872.	Review of the Clydeplan's annual budget setting arrangements.	Results & Significant Judgements: We reviewed Clydeplan's financial management arrangements

Audit risk	Assurance procedure	Results and conclusions
<p>In order to ensure the ongoing sustainable funding position of the Joint Committee, requisition income for 2021/22 was approved at pre-2019/20 levels of £579,500 however, a refund of £160,000 is due resulting in total requisition income of £419,500. This results in an anticipated net expenditure position of £155,200 for 2021/22. The Joint Committee's expenditure is projected to require the full requisition income available in the coming years.</p> <p>The pre-2019/20 level of requisition is projected in future years post 2021/22 and is important to the financial and operational sustainability of the organisation to maintain a reserves level to contain the short-term impact of any unforeseen risks and events.</p>	<p>Assessment of Clydeplan's medium to long term financial strategy.</p> <p>Review and assessment of budget monitoring arrangements on financial position.</p> <p>On-going review of the Clydeplan's financial position and delivery of planned savings.</p>	<p>and concluded that these are appropriate.</p> <p>Clydeplan agreed reduced requisitions in year and made use of existing reserves to fund the year-end deficit to reduce useable reserves held to a more acceptable level.</p> <p>A similar position is expected in 2022/23 with the projected year-end deficit of £30,000 to be funded through existing reserves.</p> <p>Clydeplan anticipate a break-even position in 2023/24 and 2024/25.</p> <p>Conclusion: Clydeplan will face a challenging environment from 22/23 onwards in terms of demand and cost pressures, however these challenges are recognised within the revenue estimates and plans going forward. The useable reserve level of Clydeplan is being intentionally reduced over the longer-term through reduced member requisitions and transfers of reserves to the Green Network Partnership in 22/23 and 23/24. Clydeplan should continue to regularly review progress against its budget and future estimates to ensure it remains financially sustainable.</p>

Clydeplan prepares three-year revenue estimates

35. 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. The three-year revenue estimates are submitted to the Joint Committee for scrutiny review and approval each year and these arrangements are considered appropriate.

36. Clydeplan has adequate financial planning arrangements in place.

37. The 2022/23 budget projects a year-end net expenditure position of £30,000. The deficit will be funded by existing useable reserves. It is also the intention of Clydeplan to transfer £47,500 of useable reserves to the Green Network Partnership to cover the two-year Green Network Development Officer post. This will reduce total useable reserves to £220,457 as at 31 March 2023.

38. The 2023/24 and 2024/25 indicative budgets both estimate a break-even position at year-end. The final £47,500 of useable reserves is to be transferred to the Green Network Partnership in 2023/24, with a total useable reserves position estimated of £172,957 in both 2023/24 and 2024/25.

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.

National performance audit reports

41. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 2](#) highlights a number of the reports published in 2021/22.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Related Parties</p> <p>Clydeplan's related parties note was reviewed against the requirements of IAS 24 and Audit Scotland's Good Practice Note. Management has updated and expanded the disclosure within the annual accounts. The process could be further improved by management.</p> <p>Risk – not all related party transactions are identified and reflected within the financial statements.</p>	<p>The process could be further improved by management:</p> <ul style="list-style-type: none"> conducting a review of the register of interest of each Joint Committee member against a year-end transaction listing to identify any related party disclosures consideration of the interests of close persons or family members of those related to Clydeplan in the identification of related parties adding a link in the note to signpost to Joint committee members Register of Interests including a definition of what a related party is to increase understandability for the reader and an explanation/note as to what is considered material/significant to ClydePlan. <p>Paragraph 25</p>	<p>This improvement work will be undertaken for the 2022/23 accounts and the disclosure revised upon conclusion of the review.</p> <p>Responsible officer: Treasurer</p> <p>Agreed date: 30 June 2023</p>
<p>2. Clydeplan Lease Arrangements</p> <p>Clydeplan lease arrangements for West Regent Street expired in October 2019 and</p>	<p>Formal agreement and documentation with GCC should be in place to ensure</p>	<p>Arrangements were not formalised in advance of the 2020 lockdown and with staff working in a hybrid model, they have not progressed to date. There is no indication of</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>arrangements were made to operate from Glasgow City Council (GCC) with no charge.</p> <p>There is no written agreement or formal documentation outlining these arrangements.</p> <p>As part of budgeting arrangements, Clydeplan included a contingency amount in the event GCC decide to charge Clydeplan for use of the premises.</p> <p>Risk – the absence of formal documentation could leave Clydeplan open to future liability and could result in inaccurate budgeting.</p>	<p>effective budgeting for Clydeplan.</p> <p>A contingent liability should be reflected within Note 14 for the potential liability owed to GCC in line with the estimates reflected in budgeting.</p> <p>Paragraph 25</p>	<p>a retrospective request for payment, hence the lack of contingent liability, although budget provision has continued until the arrangement is finalised. The situation will be kept under close review for any changes to this.</p> <p>Responsible officer: Strategic Development Plan Manager and Treasurer</p> <p>Agreed date: ongoing through 2022/23</p>
<p>3. Risk Monitoring and Review</p> <p>As part of planning work we reviewed risk management arrangements at Clydeplan. It is unclear how regularly risks are reviewed, and updated risk registers are not regularly reported to the Joint Committee for review and comment.</p> <p>Risk – risks are not identified and captured timeously.</p>	<p>The risk management process should be formalised, with an updated risk register taken regularly for review by the Joint Committee.</p> <p>The 2021/22 governance statement is updated to reflect how sufficient assurance has been obtained over risks in the absence of formal review and monitoring and details any intentions of improvement to the process going forward.</p> <p>Paragraph 25</p>	<p>A risk section will be added to the Management Commentary in 2022/23 and formal and regular risk reporting to be taken to the Joint Committee.</p> <p>Responsible officer: Strategic Development Plan Manager</p> <p>Agreed date: 31 March 2023</p>
<p>4. Pension Reconciliation</p> <p>There is a difference in the employer contribution figure recognised in Clydeplan's ledger and the Hyman's Robertson IAS 19 report of £4,543.</p> <p>Management advised the difference is as a result of payroll operating on a cash</p>	<p>Management should perform a reconciliation for pension contributions at year-end that identifies reconciling differences in order to gain sufficient assurance over the pension figures disclosed per the Hyman's Robertson report/accounts.</p> <p>Paragraph 25</p>	<p>This reconciliation will be undertaken in advance of the 22/23 year-end and then added to year-end procedures.</p> <p>Responsible officer: Treasurer</p> <p>Agreed date: 31 March 2023</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>basis whilst the ledger is on an accrual basis. However no reconciliation has been undertaken.</p> <p>Risk - management cannot gain sufficient assurance as to the reason for pension contribution differences.</p>		

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Glasgow and the Clyde Valley Strategic Development Planning Authority

2021/22 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



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