



Glasgow and the Clyde Valley Strategic Development Planning Authority

Annual report on the 2013/14 audit



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

November 2014

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Key Messages

2013/14

We have given an unqualified opinion that the 2013/14 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 2013/14 shows an accounting surplus on the provision of services of £43,645. The surplus as presented in the treasurer's foreword in the financial statements of £75,604 is different because it excludes the results of the Glasgow and the Clyde Valley 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 £75,604, on total income of £666,772, was largely due to savings on supplies and services costs, administration costs and other income being higher than expected.

The balance sheet at 31 March 2014 shows net liabilities of £467,856 (£353,273 as at 31 March 2013), a significant deterioration over the previous year but this is mainly due to the movement in the pension liability during 2013/14, which increased by £119,000.

Overall the system of internal control and arrangements for the prevention and detection of fraud were satisfactory during 2013/14.

Outlook

The Authority's 2014/15 budget is to break-even, based on income and expenditure of £0.616m (2012/13 £0.596m).

Balances due to member authorities reflect accumulated 'revenue reserve' of £386,617 (31 March 2013 £431,388); the decrease reflecting the 2013/14 surplus of £43,645 less a reimbursement to member authorities of £120,000. £198,386 is earmarked for specific purposes leaving £188,230 for general purposes, which is 31% of the 2014/15 budget (and 32% 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 2013/14 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 maybe 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 in March 2014 and presented to the Authority on 8 September 2014, 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 2013/14 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 2013/14 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 30 September 2014.
8. We received the unaudited financial statements on 16 June 2014, 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 2013/14 (the 2013/14 Code) and we can confirm that the financial statements have been properly prepared in accordance with the 2013/14 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 19 September 2014.
11. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with finance officers who agreed to amend the unaudited financial statements.
12. One significant issue was raised in relation to how the activity of GNP is presented in the accounts. Under accounting standards a partnership constituted like GNP might be considered a joint operation of the partners involved, rather than a project of the Authority. Under accounting standards each partner would include its share of income, expenditure, assets and liabilities in its own accounts, rather than the full costs of GNP being included in the accounts of the Authority. The Code of Practice on Local Authority accounting for 2014/15 will adopt various accounting standards relating to group and joint arrangements (IFRS 11) and we will review the Code for 2014/15 against how the work of GNP is directed and the

GNP governance arrangements. Any disclosure requirements for GNP activity, per its Terms of Reference will be included in this review.

Financial results

2013/14 Outturn

13. The Comprehensive Income and Expenditure Statement for 2013/14 shows an accounting surplus on the provision of services of £43,645. The surplus as presented in the treasurer's foreword in the financial statements of £75,604 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.
14. The £75,604 surplus (11% of total income) compared to the budget break even position was mainly attributable to:
 - an underspend of £24,931 on supplies and services costs due to a reduction in IT and printing costs
 - other income higher by £70,372 mainly due to additional grant income.
15. Compared to the previous year, 2013/14 total expenditure in the Comprehensive Income and Expenditure Statement decreased by 7%, which reflects a decrease in payments for the Green Network Partnership from £426,698 to £300,949. The requisition income level remained consistent with the 2012/13 levels in line with the approved 2013/14 revenue estimates.

2013/14 financial position

16. The balance sheet at 31 March 2014 shows net liabilities of £467,856 (£353,273 as at 31 March 2013), a significant deterioration over the previous year but this is mainly due to the movement in the pension liability during 2013/14, which increased by £119,000. 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.
17. 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

18. The Authority's income and expenditure have been projected in its revenue estimates for a three year period up to 2016/17 based on predicted levels of operating income and expenditure and with the assumption of no change in the requisition levels, in line with the 2013/14 budget assumptions.

19. In September 2013 the Authority approved the budget for 2014/15 with a break even position, based on income and expenditure of £616,500. The only areas where the budget has changed when compared to 2013/14 are a staff cost increase of £19,200 and other income matching increase of £19,200. The other budget areas maintain 2013/14 levels of income and expenditure.
20. The most recent financial monitoring report for 2014/15 highlighted that, as at 15 August 2014, the Authority is £5,000 (5%) overspent against period-to-date budget but officers assess the projected outturn will be a £1,000 underspend.
21. 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 2014 was £386,617 (31 March 2013 £431,888); the decrease reflecting the 2013/14 surplus of £43,645 less the reimbursement to member authorities of £120,000. September 2013 budget papers, and the accounts, explain £198,400 is earmarked for specific purposes leaving £188,230 for general purposes, which is 31% of 2014/15 budget (and 32% 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

22. 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.
23. During the year the Authority 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

24. 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.
25. 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.

26. In the Internal Audit Annual Report 2013/14, the Chief Auditor concluded that satisfactory assurance could be placed upon the adequacy and effectiveness of the Authority's internal, risk management and governance arrangements. .
27. We assess the work of internal audit and where possible place reliance on their work. One specific review was completed during the year relating to governance arrangements within the Glasgow and Clyde Valley Green Network Partnership. The review concluded that the key controls relating to the governance of the Green Network Partnership are functioning adequately. For 2013/14 we also placed reliance on aspects of their testing on council systems. In the prior year 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

28. 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

29. 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

30. In October 2012 we reported that aspects of governance arrangements for GNP required clarification and officers of the Authority, the Council and the GNP Board agreed to review the governance arrangements and put in place clearer arrangements for the GNP.
31. 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.
32. The terms of reference also confirmed that GNP's income and expenditure will continue to be incorporated into the annual accounts of the Authority.
33. Members approved the 2013-16 business plan in June 2013. At the same meeting they approved new financial regulations ascertaining the fact that these would also apply to GNP.

Internal audit reviewed the governance arrangements of GNP as part of their 2013/14 work programme and concluded that the key controls were functioning adequately.

Best value and performance

34. 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.
35. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
36. 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.
37. 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

38. The Strategic Development Plan Manager provides updates to each meeting of the Authority on progress of the strategic development plan. An Annual Report for 2013 was submitted to members at their March 2014 meeting, which described an overview of the work undertaken including: progress on the strategic development plan, GNP business plan, priorities and issues affecting future work.

Strategic Development Plan

39. The Strategic Development Plan (SDP) was approved in May 2012 and an Action Programme in support of the SDP was prepared which will be monitored every two years as part of the monitoring of the SDP. A refreshed action programme was published at the September 2014 meeting of the joint committee; this was also submitted to Scottish ministers in accordance with planning regulations.

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	21	<p>Balances due to member authorities reflect accumulated 'revenue reserve'. The balance as at 31 March 2014 was £386,617 split into earmarked (£198,386) and general (£188,230). General is 31% of 2013/14 budget (and 32% of 2014/15 and 2015/16 indicative budgets). This level of 'reserves' for general purposes seems high compared to annual budget.</p> <p><i>Risk: the Authority is not making best use of accumulated balances in budget plans.</i></p>	<p>The Strategic Development Plan Manager and the Treasurer will review the level of reserves whilst undertaking the 2015/16 budget setting process; and will if required propose to the Authority a reimbursement of requisitions to member authorities.</p>	Strategic Development Plan Manager	December 2014