



# Glasgow and the Clyde Valley Strategic Development Planning Authority

**2022/23 Annual Audit Report to the Joint  
Committee and the Controller of Audit**

September 2023



# Table of Contents

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Key messages	3
Introduction	6
Annual accounts audit	8
Wider Scope	21
Appendices	26

# Key messages

This report concludes our audit of Glasgow and Clyde Valley Strategic Development Planning Authority (“Clydeplan”) for the year ended 31 March 2023. This section summarises the key findings and conclusions from our audit.

## Financial statements audit

<b>Audit opinion</b>	<p>Clydeplan’s annual accounts for the year ended 31 March 2023 were by the Joint Committee on 26 September 2023.</p> <p>We report unqualified opinions within our independent auditor’s report.</p>
<b>Key audit findings</b>	<p>Clydeplan had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers. We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p>
<b>Audit adjustments</b>	<p>Clydeplan has updated the financial statements for all the potential audit adjustments identified during the audit process.</p> <p>We also identified some disclosure and presentational adjustments during our audit, which have been reflect in the final set of financial statements.</p>

**Accounting systems and internal controls**

We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess Clydeplan's processes and internal controls relating to the financial reporting process.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. We consider the control environment within Clydeplan to be satisfactory.

## Wider scope and Best Value audit

**Auditor judgement**



**Financial Sustainability**

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

Clydeplan's revised revenue budget for 2023/24 and indicative budget estimates for the subsequent two years (to 2025/26) shows an overall deficit position for the full three years, utilising uncommitted reserves to cover the deficits.

Requisition Income is proposed at £67,500 per member. This maintains the gross requisition at 2022/23 levels, with a requisition discount of £39,500 applied, in recognition of the high level of uncommitted reserves. This proposal represents a 1.3% reduction in the net requisition for 2023/24.

Clydeplan's financial plans are subject to ongoing review and development. The application of reserves to support service delivery offers a potential short-term solution for existing funding gap. However, it does not achieve a sustainable financial plan to address the potential future funding gaps from 2026/27.

Due to the current financial climate, operational costs will remain under review and any savings that may arise will be taken to the Joint Committee for consideration. The level of reserves will also remain under review and any changes to the proposed use of reserves will be reported as appropriate to the Joint Committee.

## Annual Governance Statement

We are content that the Annual Governance statement reflects the position within Clydeplan and overall, we found the organisation to have appropriate governance arrangements. Our audit has not identified any issues or non-compliance from the work performed on the Annual Governance Statement.

### Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope and best value areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



# Introduction

The annual audit comprises the audit of the financial statements and the wider-scope and Best Value audit responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Joint Committee at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

## Responsibilities

Clydeplan is responsible for preparing its annual accounts, including financial statements which show a true and fair view, and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

## Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

## Adding value

All our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

## Openness and transparency

This report will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# Annual accounts audit

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

## Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	<p>The draft financial statements, management commentary, remuneration report and annual governance statement were considered by the Joint Committee and approved on 12 June 2023.</p> <p>We have issued an unqualified audit opinion.</p> <p>We identified a small number of non-trivial errors during our audit of the financial statements, as set out in Appendix 2. Management agreed to amend the draft financial statements for the errors identified.</p> <p>We received the draft annual accounts and supporting papers in line with our audit timetable and those draft accounts were of good quality. Further information and revisions were provided promptly where required. Our thanks go to the Finance team for their assistance with our work.</p>



Opinion	Basis for opinion	Conclusions
<p>Going concern basis of accounting</p>	<p>In the public sector, when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue Clydeplan’s functions.</p> <p>Our wider scope audit work considers the financial sustainability of Clydeplan.</p>	<p>Our understanding of the legislative framework and activities undertaken by Clydeplan provides us with sufficient assurance that the Joint Committee will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p>
<p>Opinions prescribed by the Accounts Commission:</p> <ul style="list-style-type: none"> <li>• Management Commentary</li> <li>• Corporate Governance Statement</li> <li>• Remuneration Report</li> </ul>	<p>We plan and perform audit procedures to gain assurance that the management commentary, corporate governance statement and the audited part of the remuneration report are prepared in accordance with:</p> <ul style="list-style-type: none"> <li>• statutory guidance issued under the Local Government in Scotland Act 2003 (management Commentary);</li> <li>• the Delivering Good Governance in Local Government: Framework (corporate governance statement); and</li> <li>• The Local Authority Accounts (Scotland)</li> </ul>	<p>We have concluded that:</p> <ul style="list-style-type: none"> <li>• the information given in the management commentary is consistent with the financial statements and has been prepared in accordance with relevant statutory guidance.</li> <li>• the information given in the corporate governance statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework.</li> <li>• the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.</li> </ul>

Opinion	Basis for opinion	Conclusions
	Regulations 2014 (remuneration report)	
Matters reported by exception	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept; or</li> <li>the financial statements and the audited part of the remuneration report are not in agreement with the accounting records; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>	We have no matters to report.

## An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Joint Committee in March 2023. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to Clydeplan. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

At the planning stage, we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

## Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the

nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the planning guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our anticipated opinion on the annual accounts is not modified with respect to any of the risks described below.

## Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
<p><b>Significant risk description</b></p>	<p>Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p><b>Inherent risk of material misstatement:</b> Very High</p>
<p><b>How the scope of our audit responded to the significant risk</b></p>	<p><b>Key judgement</b></p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.</p>

Risk area	Management override of controls
	<p><b>Audit procedures</b></p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals.</li> <li>• Analysing the journals listing and determining criteria for selecting high risk and / or unusual journals.</li> <li>• Testing high risk and / or unusual journals posted during the year and after the unaudited annual accounts stage back to supporting documentation for appropriateness, corroboration and appropriate approval in line with Clydeplan’s journals policy.</li> <li>• Gaining an understanding of the accounting estimates and critical judgements made by management. We challenged key assumptions and considered the reasonableness and indicators of management bias which could result in material misstatement due to fraud.</li> <li>• Evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
<p><b>Key observations</b></p>	<p>We have not identified any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.</p>

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
<p><b>Significant risk description</b></p>	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed inherent risk on every audit unless it can be rebutted.</p> <p>The presumption is that Clydeplan could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of income around the year end. However, we do not deem this risk to be present in requisitions received from the constituent local authorities due to a lack of incentive and opportunity to manipulate transactions.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p><b>Inherent risk of material misstatement:</b> Revenue (occurrence / completeness): High</p>
<p><b>How the scope of our audit responded to the significant risk</b></p>	<p><b>Key judgements</b></p> <p>Given the financial pressures facing the public sector, there is an inherent fraud risk associated with the recording of income around the year end.</p> <p><b>Audit procedures</b></p> <ul style="list-style-type: none"> <li>• Evaluating the significant income streams and reviewing the controls in place over accounting for revenue.</li> <li>• Considering key areas of income and obtaining evidence that income is recorded in line with appropriate accounting policies and the policies have been consistently applied during the year.</li> </ul>
<p><b>Key observations</b></p>	<p>We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that it is fairly stated in the financial statements.</p>

Key risk area	Fraud in non-pay expenditure
<p><b>Significant risk description</b></p>	<p>As most public sector bodies are net expenditure bodies, the risk of fraud is also present in relation to expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• Non-pay expenditure (occurrence / completeness): High</li> <li>• Accruals (existence / completeness): High</li> </ul>
<p><b>How the scope of our audit responded to the significant risk</b></p>	<p><b>Key judgements</b></p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals and expenditure around the year end.</p> <p><b>Audit procedures</b></p> <ul style="list-style-type: none"> <li>• Evaluating the significant non-pay expenditure streams and the design of the key controls in place over accounting for expenditure.</li> <li>• Considering key areas of expenditure and obtaining evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been consistently applied during the year.</li> <li>• Testing accruals around the year end to consider if there is any indication of understatement of balances held through consideration of accounting estimates.</li> </ul>
<p><b>Key observations</b></p>	<p>We have gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements.</p>

Key risk area	Valuation of defined benefit pension asset (key accounting estimate)
<p><b>Significant risk description</b></p>	<p>An actuarial estimate of the pension fund asset/liability is calculated on an annual basis under IAS 19 and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. The estimates are based on the most up to date membership data held by the pension fund and have regard to local factors such as mortality rates and expected pay rises with other assumptions around inflation when calculating the liabilities. There is a risk that the assumptions used are not appropriate.</p> <p><b>Inherent risk of material misstatement:</b> Defined benefit pension asset (valuation): High</p>
<p><b>How the scope of our audit responded to the significant risk</b></p>	<p><b>Key judgements</b></p> <p>A significant level of estimation is required in order to determine the valuation of pension assets/liabilities. Small changes in the key assumptions (including discount rates, inflation and mortality rates) can have a material impact on the pension asset/liability.</p> <p><b>Audit procedures</b></p> <ul style="list-style-type: none"> <li>• Evaluating management processes and assumptions for the calculation of the estimates, the instructions issued to their actuarial experts and the scope of their work.</li> <li>• Evaluating the competence, capabilities and objectivity of management’s actuarial expert.</li> <li>• Considering the basis on which the valuation was carried out and challenging the key assumptions applied.</li> <li>• Evaluating the information provided to the actuary for the purposes of their calculation of the IAS 19 estimate to ensure it was complete and consistent with our understanding.</li> <li>• Ensuring pension valuation movements made during the year were input correctly into the general ledger and financial statements and that the accounting treatment</li> </ul>

Key risk area	Valuation of defined benefit pension asset (key accounting estimate)
	applied was in line with the financial reporting framework.
<b>Key observations</b>	<p>We reviewed the reasonableness of those assumptions used in the calculation against other local government pension fund actuaries and other observable data, with no issues identified. In addition, we reviewed the information in the actuarial report for completeness and accuracy against the published pension fund data.</p> <p>We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.</p> <p>However, in accordance with the guidance issued on the recognition of the Pension Assets, an adjustment has been identified as detailed in Appendix 2.</p>

## Estimates and judgements

We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.

As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those were key to the overall financial statements. Consideration was given to pension assumptions, income and expenditure accruals, depreciation, amortisation and leases. Other than pension assumptions, we have not determined the accounting estimates to be significant. We revisited our assessment during the fieldwork and completion stages of our audit and concluded that our assessment remained appropriate.

Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.



## Estimates and judgements

### Pensions Assumptions

**Auditor judgement: Balanced**

An actuarial estimate of the pension fund asset is calculated on an annual basis and on a triennial funding basis by an independent firm of actuaries with specialist knowledge and experience. We have considered the competence, capability and objectivity of the actuary in line with the requirements of ISA (UK) 500 'Audit Evidence'. From this review we did not identify any items which gave us cause for concern over the suitability of the actuary.

We reviewed the reasonableness of the assumptions and source data used in the calculation and the information in the actuarial report for completeness and accuracy against the published pension fund data. Our work included a meeting with the actuary to discuss, scrutinise and review the pensions assumption relevant to Clydeplan. Our findings and conclusions are included in the significant risk table above.

Clydeplan has disclosed in its annual accounts a sensitivity analysis to help users of the annual accounts understand the judgements management have made about the sources of estimation uncertainty.

## Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of Clydeplan and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the Joint Committee and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality was £13,000. On receipt of the unaudited financial statements, we reassessed materiality and have decreased this to £11,000 in proportion to the increase in Gross Expenditure for 2022/23 financial year. We consider that our updated assessment has remained appropriate throughout our audit.

	<b>Materiality</b>
	<b>£</b>
<b>Overall materiality for the financial statements (100%)</b>	11,000
<b>Performance materiality (75%)</b>	8,250
<b>Trivial threshold (5%)</b>	550

<b>Materiality</b>	<p>Our assessment is made with reference to Clydeplan’s gross expenditure. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance of Clydeplan.</p> <p>Our assessment of materiality equates to approximately 2% of gross expenditure as disclosed in the 2022/23 unaudited annual accounts.</p> <p>In performing our audit, we apply a lower level of materiality to the Remuneration Report. Our materiality was set at £5k.</p> <p>We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our materiality levels set. We perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p>
<b>Performance materiality</b>	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceeds overall materiality.</p>
<b>Trivial misstatements</b>	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

## Audit differences

We identified a small number of errors in the draft financial statements during our audit. These are set out in more detail in Appendix 2. Management agreed to amend the financial statements for all the errors we identified. The overall impact of the adjustments made on the financial statements was £1,590k.

We also identified disclosure and presentational adjustments during our audit which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

## Internal controls

As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Joint Committee. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

We did not identify any significant control weaknesses during our audit.

## Follow up of prior year recommendations

We followed up on progress in implementing actions raised by the predecessor auditor in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

## Other communications

### **Accounting policies, presentation and disclosures**

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by Clydeplan.

The accounting policies, which are disclosed in the financial statements, are in line with the CIPFA LASAAC Code of Practice and are considered appropriate. The accounting policies used in preparing the financial statements are unchanged from the previous year.

There are no significant financial statements disclosures that we consider should be brought to the attention of Clydeplan. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately. Overall, we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

### **Fraud and suspected fraud**

We have previously discussed the risk of fraud with management and the Joint Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

### **Non-compliance with laws and regulations**

As part of our standard audit testing, we have reviewed the laws and regulations impacting Clydeplan. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

### **Written representations**

We requested written representations from management, and these have been shared with the Joint Committee alongside this report, and are due to be approved and signed alongside the financial statements upon completion.

### **Related parties**

We are not aware of any related party transactions which have not been disclosed.

### **Confirmations from third parties**

All requested third party confirmations have been received.

# Wider Scope

## Financial sustainability

### Financial Sustainability

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

### Auditor judgement



Clydeplan's revised revenue budget for 2023/24 and indicative budget estimates for the subsequent two years to 2025/26 shows an overall deficit position for the full three years, utilising uncommitted reserves to cover expected deficits.

Requisition Income is proposed at £67,500 per member. This maintains the gross requisition at 2022/23 levels, with a requisition discount of £39,500 applied, in recognition of the high level of uncommitted reserves. This proposal represents a 1.3% reduction in the net requisition for 2023/24.

Clydeplan's financial plans are subject to ongoing review and development. The application of reserves to support service delivery offers a potential short-term solution for the existing funding gap. However, it does not achieve a sustainable financial plan to address the potential future funding gaps from 2026/27.

Due to the current financial climate, operational costs will remain under review and any savings that may arise will be taken to the Joint Committee for consideration. The level of reserves will also remain under review and any changes to the proposed use of reserves will be reported as appropriate to the Joint Committee.

## Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

### Extract from External Audit Plan - Financial sustainability

In December 2022 Clydeplan considered its revenue budget for 2023/24 and indicative budget estimates for the subsequent two years to 2025/26.

At the end of the current financial year, Clydeplan is estimating to have a revenue reserve of £421k which represents circa 76% of operating income or over 50% of expenditure. The key cost driver is staff expenditure which is expected to increase over the period of the estimate by 3% each year.

Due to a high level of uncommitted reserves, net requisitions for 2023/24 will be reviewed to identify potential savings for Members. Clydeplan's approach is to have reserves of a minimum of 10% of its expenditure which currently equates to £56k.

There is a level uncertainty in the above estimates due to:

- Indirect dependence on the Scottish Government annual allocation of funding to local authorities who in turn fund Clydeplan activities through requisitions. The funding levels from the Scottish Government beyond 2023/24 are uncertain and impacted by wider economic factors in Scotland.
- Clydeplan faces cost pressures, particularly in its staff cost which make up 87% of its expenditure. While the most recent Bank of England's expectation is that the inflation will fall to 4% at the calendar year end, current levels of inflation remain high at around 10%.

There is also uncertainty around the impact of the Planning (Scotland) Act and succession planning due to the retirements of key staff expected at the end of 2022/23.

Clydeplan's medium to longer term financial planning is therefore subject to a number of uncertainties, with use of reserves likely to cover for the budgeted and estimated deficits for the foreseeable future. We note that the application of reserves for this purpose, will still maintain a level of reserves at the end of 2025/26 significantly above the minimum 10% (of expenditure) preferred level.

However, further use of reserves should be considered with a long- term view on Clydeplan's financial sustainability.

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Our detailed findings on the Funds financial sustainability arrangements are set out below.

## 2022/23 revenue budget

The Comprehensive Income and Expenditure Statement for 2022/23 shows that Clydeplan spent £552.6k on the delivery of services, resulting in an accounting surplus of £6.5k.

The accounting deficit includes certain elements of income and expenditure that need to be accounted for to comply with the Code of Practice on Local Authority Accounting in the United Kingdom (the 2022/23 Code), and which are subsequently adjusted to show their impact on reserves.

Taking account of these adjustments, Clydeplan reported a surplus of £75k increasing general fund reserves to £389.3k.

At the outset (December 2021) the Joint Committee approved a balanced revenue budget, through a planned drawdown of reserves of £30k. As at 31 March 2023 (financial year-end), net expenditure was (£75k), comprising gross expenditure of £480k, less gross income of £555k. There were only minor movements in the final variances to budget compared to the projected break-even position at Period 11.

## Medium term financial plan

Clydeplan's revised revenue budget for 2023/24 and indicative budget estimates for the subsequent two years (to 2025/26) shows an overall deficit position for the full three years, utilising uncommitted reserves to cover the deficits.

	2023/24	2024/25	2025/26
	£'000	£'000	£'000
<b>Total Expenditure</b>	567	580	592
<b>Total Income</b>	(547)	(550)	(562)
<b>Net Expenditure</b>	<b>20</b>	<b>30</b>	<b>30</b>
<b>Uncommitted Reserves</b>			
Opening balance at 1 April	288	268	238
Use of reserves	(20)	(30)	(30)
<b>Closing balance at 31 March</b>	<b>268</b>	<b>238</b>	<b>208</b>

Key assumptions in the 2023/24 budget and indicative financial plans include;

- Provision for inflation on employee costs has been included at an average 5% for 2022/23 and 5% for subsequent years. This was revised at the March 2023 committee from the initial assumptions taken to committee in December 2022 after scrutiny by the Members;
- Current working from home arrangements and other operational changes have resulted in savings across various areas of the budget, e.g. staff training, conferences, consultancy, printing and travel, and the budget assumption is that these savings will be sustained into 2023/24 and beyond;
- As agreed by the Joint Committee on 13 September 2021, a two-year temporary Grade 9 post of Green Network Development Officer has been included in the GNP Employee Costs. The post was appointed to in 2022/23 and is budgeted to be funded from ClydePlan reserves.

Requisition Income is proposed at £67,500 per member. This maintains the gross requisition at 2022/23 levels, with a requisition discount of £39,500 applied, in recognition of the high level of uncommitted reserves. This proposal represents a 1.3% reduction in the net requisition for 2023/24.

However, we note that despite those challenges identified above for managing the use of reserves, as at 31 March 2023 total usable reserves was £389.3k.

Clydeplan's financial plans are subject to ongoing review and development. The application of reserves to support service delivery offers a potential short-term solution for existing funding gap. However, it does not achieve a sustainable financial plan to address the potential future funding gaps from 2026/27.

Due to the current financial climate, operational costs will remain under review and any savings that may arise will be taken to the Joint Committee for consideration. The level of reserves will also remain under review and any changes to the proposed use of reserves will be reported as appropriate to the Joint Committee.



## Annual Governance Statement

Our review of the Annual Governance Statement assessed the assurances which are provided to Clydeplan 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 a reasonable level of assurance can be placed upon the adequacy and effectiveness of Clydeplan's internal control system.

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.

# Appendices



Appendix 1: Responsibilities of Clydeplan and the Auditor	27
Appendix 2: Audit differences identified during the audit	32
Appendix 3: Follow up of prior year recommendations	35



## Appendix 1: Responsibilities of Clydeplan and the Auditor

### Responsibilities of Clydeplan

Clydeplan is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Treasurer has been designated as that officer. The Treasurer is responsible for the preparation of Clydeplan’s annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Area	Clydeplan’s responsibilities
<b>Corporate governance</b>	<p>Clydeplan is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
<b>Financial statements and related reports</b>	<p>Clydeplan has responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of the financial position of Clydeplan and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures;</li> <li>• preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent and a remuneration report that is consistent with the disclosures made in the financial statements and prepared in accordance with prescribed requirements. The management commentary should be fair, balanced and understandable and also address the longer-term financial sustainability of Clydeplan.</li> </ul> <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users</p>

Area	Clydeplan's responsibilities
	<p>about Clydeplan and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>Clydeplan is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. Clydeplan is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p><b>Standards of conduct for prevention and detection of fraud and error</b></p>	<p>Clydeplan is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.</p>
<p><b>Financial position</b></p>	<p>Clydeplan is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• Plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<p><b>Best Value</b></p>	<p>Clydeplan has a specific responsibility to ensure that arrangements have been made to secure best value. It is responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.</p>

## Auditor responsibilities

### Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The 2021 Code came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

We have concluded that Clydeplan is a less complex public body for 2022/23.

### Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to Clydeplan and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

### Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

However, for less complex bodies the wider scope and best value work is limited to:

- a review of the Annual Governance Statement; and
- concluding on the financial sustainability of the body and the services that it delivers over the medium to longer term and; for local government bodies, reporting on the arrangements for securing Best Value.

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## Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

### Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

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## Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of Clydeplan's best value arrangements has been integrated into our audit approach, including our work on the wider scope areas as set out within this report.

## Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>

## Independence

The Ethical Standards and ISA (UK) 260 require us to give Clydeplan and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we have no matters to bring to the Joint Committee's attention.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been

properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Our period of total uninterrupted appointment as at the end of 31 March 2023 was one year.

## Audit and non-audit services

The total fees charged to the entity for the provision of services in 2022/23 were as follows. Prior year charges for the predecessor auditor are also shown for comparative purposes:

	Current year	Prior year
Auditor remuneration	£19,800	£2,700
Pooled costs	-	£280
Audit support costs	£660	£140
Sectoral cap adjustment	(£14,680)	-
<b>Total audit fee</b>	<b>£5,780</b>	<b>£3,120</b>

The FRC's Ethical Standard stipulates that where an auditor undertakes non-audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. We have not provided any non-audit services to Clydeplan.

## Appendix 2: Audit differences identified during the audit

We are required to inform the Joint Committee of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. The non-trivial misstatement discovered during the course of our audit which have been adjusted for by management are summarised in the table below.

### Adjusted misstatements

Details of the item corrected following discussions with management is as below.

No	Detail	Assets	Liabilities	Reserves	CIES
		Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000
1.	<p>This year's IAS 19 report for Clydeplan with the actuarial results indicated a pension surplus (or pension asset) of £1,622k. This is a significant difference to prior year's pension asset of £168k and was mainly driven by a significant increase in discount rate assumption between the years. The discount rate as at 31 March 2023 has been 4.75% and decreasing the future obligations substantially, which combined with no significant movement in the value of investment assets resulted in a pension surplus.</p> <p>However, the accounting standards require Clydeplan to review the pension surplus and only recognise it to the lower of the surplus or an 'asset ceiling'. A</p>	(1,590)			1,590



No	Detail	Assets	Liabilities	Reserves	CIES
		Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000	Dr / (Cr) £'000
	detailed technical guidance on how to calculate the pension asset ceiling had been issued by Audit Scotland early in July 2023. Following that, we asked the management to calculate the asset ceiling and assess the surplus against it. This resulted in a material adjustment to the accounts and limiting the asset to the asset ceiling value to £32k, with a £1,590k audit adjustment processed in the accounts.				
2.	Pension valuation adjustment to reflect the actual figures received from SPFO.	(36)	36		
	<b>Net impact on general fund reserve</b>				<b>(1,590)</b>
	<b>Net impact on net assets</b>				<b>1,590</b>

## Unadjusted misstatements

We identified no unadjusted misstatements during our audit.

## Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by Clydeplan.

We identified a number of reclassification adjustments and some minor presentational issues in Clydeplan's accounts, and these have all been amended by management. Details of all disclosure changes amended by management which following discussions are as below.

No	Detail
1.	<u>Minor presentational and disclosure issues</u> The audit team have raised minor and presentational issues with management and we recommend that these are updated.
2.	<u>Pension Asset Narrative</u> Clydeplan has updated its pension disclosures to account for the change in pension asset values as detailed in adjustments table above.
3.	<u>Reclassification of Income</u> There was a reclassification of income from Interest Receivable to Other Income of £3.4k.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

## Impact of prior year unadjusted misstatements

There were no prior year unadjusted misstatements reported in the prior year audit.

## Appendix 3: Follow up of prior year recommendations

We have followed up on the progress Clydeplan has made in implementing the recommendations raised by the previous auditor last year which were reported as either new or ongoing.

We note that this is ongoing.

1.	Related parties
<p><b>Recommendation</b></p>	<p>There was one audit finding in relation to related parties. Clydeplan’s related parties note was reviewed against the requirements of IAS 24 and Audit Scotland’s Good Practice Note. Clydeplan’s process for identifying related parties could be further improved by management by:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• consideration of the interests of close persons or family members of those related to Clydeplan in the identification of related parties; and</li> <li>• adding a link in the note to signpost to Joint Committee members Register of Interests.</li> </ul>
<p><b>Resolved</b></p>	<p>We note that Clydeplan have updated the disclosure considerably following this recommendation, and deem this matter resolved.</p>

<b>2. Clydeplan Lease Arrangements</b>	
<b>Recommendation</b>	<p>Clydeplan’s lease arrangements for West Regent Street expired in October 2019 and 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>It was recommended that this arrangement was formalised and a contingent liability put in place for the potential liability owed to GCC in line with the estimates reflected in budgeting.</p>
<b>Ongoing</b>	<p>Due to the retiral of both senior managers, this work is still ongoing and is expected to conclude by 31 March 2024.</p>

<b>3. Risk Monitoring and Review</b>	
<b>Recommendation</b>	<p>A recommendation was raised as it was unclear how regularly risks are reviewed, and updated risk registers are not regularly reported to the Joint Committee for review and comment.</p> <p>Specifically, management should ensure:</p> <ul style="list-style-type: none"> <li>• That the risk management process is formalised, with an updated risk register taken regularly for review by the Joint Committee.</li> <li>• The 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.</li> </ul>
<b>Ongoing</b>	<p>Due to the retiral of both senior managers, this work is still ongoing and is expected to conclude by 31 March 2024.</p>

<b>4. Pension Reconciliation</b>	
<b>Recommendation</b>	<p>There was another finding in relation to a difference in the employer contribution figure recognised in RVJB's ledger and the Hymans Robertson's IAS 19 report.</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 Hymans Robertson's report/accounts.</p>
<b>Resolved</b>	<p>We have concluded our work around Pensions and are comfortable that the employer's contribution figure per the ledger versus per the IAS 19 report is not materially misstated. We deem this recommendation to be resolved.</p>



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