

Glasgow City Region -City Deal Cabinet Joint Committee

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Glasgow City Region – City Deal Cabinet Joint Committee and the Controller of Audit
August 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2017/18 annual report and accounts

- 1** In our opinion, Glasgow City Region – City Deal Cabinet Joint Committee’s financial statements give a true and fair view and were properly prepared.

Financial sustainability and governance statement

- 2** We concluded that the Cabinet’s financial management is effective with a budget process focussed on its priorities.
- 3** We concluded that the information in the annual governance statement is consistent with the financial statements and complies with the relevant guidance.

Introduction

- 1.** This report summarises the findings from our 2017/18 audit of Glasgow City Region – City Deal Cabinet Joint Committee (the Cabinet).
- 2.** The scope of our audit was set out in our Annual Audit Plan presented to the February 2018 meeting of the Cabinet. This report comprises the findings from:
 - an audit of the Cabinet’s annual accounts
 - consideration of the financial sustainability and appropriateness of the annual governance statement.
- 3.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:
 - financial sustainability,
 - financial management,
 - governance and transparency, and
 - value for money.
- 4.** 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.
- 5.** As highlighted in our 2017/18 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2017/18 audit of the Cabinet.
- 6.** The Cabinet has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The Cabinet is also responsible for establishing effective governance arrangements and ensuring that financial management is effective.
- 7.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), and guided by the auditing profession’s ethical guidance.
- 8.** As public sector auditors we give independent opinions on the annual accounts and conclusions on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.
- 9.** 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.
- 10.** We confirm that we comply with the Financial Reporting Council’s Ethical Standard. We have not undertaken any non-audit related services and therefore

the 2017/18 audit fee of £7,990 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to Cabinet by providing insight and foresight on financial sustainability and by identifying areas of improvement and encouraging good practice. In so doing, we aim to help the Cabinet promote improved standards of financial planning, better management and decision making.

12. [Appendix 2](#) shows a summary of our 2017/18 national performance reports. These reports include findings and good practice across a range of areas, some of which may be relevant to the Cabinet.

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

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

In our opinion the Cabinet's annual accounts give a true and fair view and were properly prepared; expenditure and income was in accordance with applicable law and guidance.

Audit opinions on the annual accounts

15. The annual report and accounts for the year ended 31 March 2018 were approved by the board on 14 August 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the information in the management commentary is consistent with the financial statements
- the information in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016)
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 14 June 2018 in line with our agreed audit timetable.

17. The unaudited annual accounts and working papers 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.

Risks of material misstatement

18. [Appendix 1](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

20. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual accounts

we reviewed our planning materiality calculations and concluded that they remained appropriate and these are summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

| Materiality level | Amount |
|-------------------------|---------|
| Overall materiality | £11,000 |
| Performance materiality | £8,000 |
| Reporting threshold | £1,000 |

Source: Annual Audit Plan 2017/18

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. This includes our views about significant qualitative aspects of the Cabinet's accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the annual report and accounts, accounting estimates and judgements and the effect of any unusual transactions on the financial statements. There are no significant findings to report.

Part 2

Financial sustainability and governance statement



Main judgements

We concluded that the Cabinet has effective financial management arrangements with a budget process focussed on the Cabinet's priorities.

The information in the annual governance statement is consistent with the financial statements and complies with the relevant guidance.

Financial performance in 2017/18

23. The main financial objective for the Cabinet is to ensure that the financial outturn of the Project Management Office (PMO) for the year is within the agreed budget. The Cabinet had an underspend of £216,735 on a budget of £1,101,628 in 2017/18.

Short term financial planning

24. The Cabinet is funded through contributions from member authorities on an annual basis according to an agreed formula. In April 2018 the Cabinet agreed its 2018/19 budget and recharges to member authorities of £1,240,436 which is £138,808 (13%) more than the 2017/18 budget allocation and relates to increased salary costs.

25. Contributions from member authorities is the Cabinet's sole source of income and there is more certainty over future funding streams than for some other public sector organisations who are involved in income generating activities. Therefore, the focus for the Cabinet is to remain within their annual budget.

26. The Cabinet meets every eight weeks and programme status update reports are presented to each meeting. These reports include a section on the financial performance of the PMO. This includes a projection of the year end position and an explanation of any movements from the previously reported position.

27. We are satisfied with the arrangements in place at the Cabinet for budgetary monitoring and control.

Medium to long term financial planning

28. The Glasgow City Region City Deal (the City Deal) is a 20-year deal with the Scottish and UK governments. Funding provided by the UK and Scottish Governments will be paid over the 20-year period, unlocked in five-year blocks and subject to the City Deal delivering agreed outputs and outcomes.

29. It is good practice to have longer-term financial strategies in place which link spending to strategies and that forecast the impact of relevant pressures on the Cabinet. However, as the Cabinet is fully funded from annual contributions from member authorities we have no concerns regarding the Cabinet's financial sustainability.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Governance statement

30. Our review of the governance statement assessed the assurances which are provided to the Executive Director of Finance as Accountable Officer regarding the adequacy and effectiveness of the Cabinet's system of internal control which operated in the financial year.

31. There are no significant governance issues identified within the Cabinet's governance statement. We concluded that the disclosures in the governance statement are consistent with the financial statements and care in accordance with the requirements of the Delivering Good Governance in Local Government: Framework (2016).

Appendix 1

Significant audit risks identified during planning











The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|--|
| Risks of material misstatement in the financial statements | | |
| <p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p> | <p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> | <p>Journal entries were reviewed as part of the substantive testing of the financial statements. No evidence to suggest management was overriding controls was identified.</p> <p>No accounting estimates were made in preparing the financial statements.</p> <p>A sample of accruals was tested. No issues were identified.</p> <p>No significant transactions that were outside the normal course of business were identified during audit testing.</p> <p>No fraud concerns were identified in respect of management override of controls.</p> |
| <p>2 Risk of fraud over expenditure</p> <p>Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure</p> | <p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p> | <p>Analytical procedures were carried out on expenditure items.</p> <p>A sample of expenditure transactions was tested.</p> <p>No evidence to suggest fraud over expenditure was identified.</p> |

Appendix 2

Summary of national performance reports 2017/18



| | | 2017/18 Reports | |
|--|---|-----------------|--|
| | | Apr | |
| | | May | |
| Common Agricultural Policy Futures programme: further update |  | Jun |  Scotland's colleges 2017 |
| | | Jul |  NHS workforce planning |
| Self-directed support: 2017 progress report |  | Aug | |
| Equal pay in Scottish councils |  | Sept | |
| Transport Scotland's ferry services |  | Oct |  NHS in Scotland 2017 |
| Local government in Scotland: Financial overview 2016/17 |  | Nov | |
| | | Dec | |
| | | Jan | |
| Early learning and childcare |  | Feb | |
| Managing the implementation of the Scotland Acts |  | Mar | |

Glasgow City Region – City Deal Cabinet Joint Committee

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