

# Mugdock Country Park Joint Management Committee

2017/18 Annual Audit Report



 AUDIT SCOTLAND

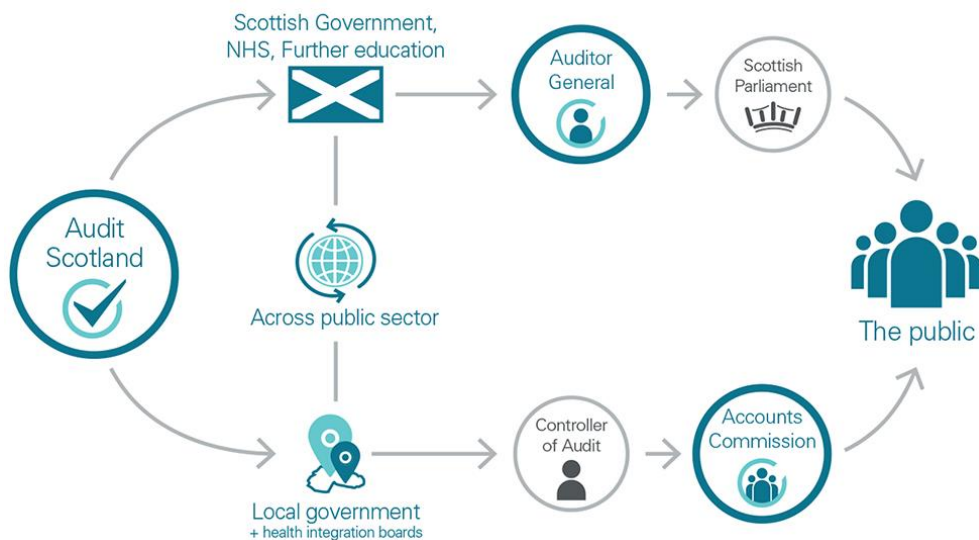
Prepared for Members of Mugdock Country Park Joint Management Committee and the Controller of Audit

31 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

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## 2017/18 annual report and accounts

- 1** In our opinion Mugdock Country Park Joint Management Committee's financial statements give a true and fair view and were properly prepared and, expenditure and income was in accordance with applicable enactments and guidance.
- 2** The management commentary and the annual governance statement were consistent with the financial statements.

## Financial sustainability and governance statement

- 3** The Park has secured contributions of £371,000 towards the operational costs of the project for 2018/19 which will ensure that they can operate as a going concern for the next 12 months.
- 4** We concluded that the information in the governance statement complies with guidance.

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# Introduction

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**1.** This report summarises the findings from our 2017/18 audit of Mugdock Country Park Joint Management Committee (“the Park”).

**2.** The scope of our audit was set out in our Annual Audit Plan presented to the 19 March 2018 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the Park’s annual accounts,
- consideration of the financial sustainability and appropriateness of 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.** Following a second team risk assessment meeting on 29 May 2018, which was held after the issue of the 2017/18 Annual Audit Plan, the external audit team agreed that, due to the volume and lack of complexity of the financial transactions, it would be more appropriate to apply the small body provisions of the Code to the 2017/18 audit of the Park, rather than the full wider scope audit originally set out in the Annual Audit Plan.

**6.** The Park has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. The Park is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**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 report and 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 their 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.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

**11.** 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 £2,890 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**

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

**13.** This report is addressed to the Joint Management Committee and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://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 Park's financial statements give a true and fair view and were properly prepared; expenditure and income were in accordance with applicable enactments and guidance.**

**The management commentary and the annual governance statement are consistent with the financial statements.**

### Audit opinions on the annual report and accounts

**15.** The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Committee on 11 June 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the governance statement is consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Auditor General 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 report and accounts for audit

**16.** We received the unaudited annual report and accounts on 29 May 2018 in line with our agreed audit timetable.

**17.** The unaudited annual report and 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.

### Risks of material misstatement

**18.** [Appendix 2](#) 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 report and accounts we reviewed our planning materiality calculations and revised the

levels to reflect the gross expenditure for the year ended 31 March 2018 and these are summarised in [Exhibit 1](#).

## Materiality values

Materiality level	Amount
Overall materiality	£4,800
Performance materiality	£3,800
Reporting threshold	£240

Source: Annual Audit Plan 2017/18

## How we evaluate misstatements

- 21.** There was one material adjustment to the unaudited financial statements arising from our audit. This was in relation to the trade payables balance and the inclusion of the year end accrual from the Council's purchase ordering system (I-Proc). As a consequence of this adjustment, the trade payables balance has increased from £7,027 to £24,620.
- 22.** There were also a number of adjustments processed for income and expenditure items after errors were identified as part of our year end cut-off testing. The effect of these adjustments was to increase net revenue expenditure by £4,285.
- 23.** All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements
- 24.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality.

## Significant findings from the audit (ISA 260)

- 25.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.
- 26.** The findings include our views about significant qualitative aspects of the board'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.

## Exhibit 2

### Significant findings from the audit of the financial statements

Finding	Resolution
<p><b>1.Trade Payables I-Proc accrual</b></p> <p>As part of our testing of trade payables we identified that the Council's purchase ordering system (I-Proc), had year end</p>	<p>After a manual trawl of the Council year end accrual, officers identified £17,593 of commitments for the Park that were</p>



Finding	Resolution
<p>accruals relating to the Park totalling £17,593 that had not been included within the balance for the financial statements. In previous years the I-Proc accruals relating to the Park had not been split from the Council accrual.</p>	<p>subsequently included within the trade payables balance in the financial statements.</p> <p>It was agreed with officers that all future year end I-Proc accruals will be reviewed to ensure that those related to the Park have been identified.</p>
<p><b>2. Cut-Off Testing</b></p> <p>As part of our year end cut-off testing of income and expenditure items we identified a number of items that had been incorrectly posted to the wrong financial year.</p>	<p>Officers corrected the errors identified from our testing. This increased the net revenue expenditure by £4,285.</p> <p>Officers will be reminded of the procedures to be followed at the financial year end in relation to ensuring income and expenditure are posted to the correct financial year.</p>

Source: Audit Scotland

## Follow up of prior year recommendations

**27.** We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

**28.** One agreed action was raised in 2016/17 however this has not yet been actioned and is therefore included in Appendix 1 for follow up during 2018/19. This was discussed with officers and a revised response and timescale has been agreed with management.

# Part 2

## Financial sustainability and governance statement



### Main judgements

The Park has secured contributions of £371,000 towards the operational costs of the project for 2018/19 which will ensure that they can operate as a going concern for the next 12 months.

We concluded that the information in the governance statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

### Financial performance in 2017/18

**29.** The Park is funded jointly by East Dunbartonshire and Stirling Councils. Capital expenditure is split equally between both councils, and Stirling Council pays a fixed revenue contribution of £50,000 per annum. East Dunbartonshire Council is responsible for overseeing the Park's running costs within the available budget.

**30.** The Comprehensive Income and Expenditure Statement (CIES) for the year ended 31 March 2018 reports expenditure for the year of £489,825. A significant proportion of this, at £359,403, consists of staff costs with further expenditure going towards maintenance, utilities, trading and events.

**31.** The income reported in the CIES is £179,058, which is comprised of £88,264 from Rents & Recharges and a further £90,794 in Trading & Events income. The Park had an underspend of £43,000 on a budget of £353,000 in 2017/18.

### Future Funding

**32.** In 2018/19 the Park secured contributions totalling £371,000, including the fixed contribution of £50,000 from Stirling Council, which reflects the minute of agreement effective from 1 April 2016. This will ensure the project can continue to operate for the next 12 months.

**33.** The Park's sustainability is dependent on the constituent local authorities continued support. There is evidence that member councils will continue to support the existence of the Park for the foreseeable future.

### Governance statement

**34.** We concluded that the information in the annual governance statement is consistent with the financial statements and had been prepared in accordance with the CIPFA/SOLACE guidance: *Delivering Good Governance in Local Government: Framework (2016)*.

### Internal controls

**35.** East Dunbartonshire Council, as host authority, provides support in some key areas of business, particularly in finance, legal and information technology.

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.

**36.** As part of our audit, we reviewed the high-level controls in a number of the systems used by East Dunbartonshire Council for the processing and recording of transactions and the preparation of the financial statements of the Park.

**37.** Our overall conclusion was that the key controls within the council's main financial systems were operating satisfactorily, and no significant risks to the Park were identified.

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# Appendix 1

## Action plan 2017/18

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### Follow up of prior year recommendations

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b/f	<p><b>Best Value</b></p> <p>The Park should have arrangements in place to demonstrate that it is delivering Best Value in the provision of services.</p> <p><b>Risk</b></p> <p>Opportunities for continuous improvement are missed.</p>	<p>The Park should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.</p>	<p>The Council will commit to undertake a review to consider Best Value arrangements.</p> <p>Place &amp; Business Development Manager</p> <p>December 2018</p>
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# Appendix 2

## 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
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</b></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>Our audit procedures did not identify any evidence of management override of controls.</p>
<p><b>2 Risk of fraud over income</b></p> <p>The majority of the Park's income is received through revenue contributions made by East Dunbartonshire Council and Stirling Council as the constituent authorities. However, some income is also received from other sources, including rents and shop sales.</p> <p>The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA 240.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>No issues have arisen as part of our audit work that would indicate fraud in revenue recognition.</p>
<p><b>3 Risk of fraud over expenditure</b></p> <p>The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure. The Park incurs expenditure in areas such as staff costs, trading &amp; events and maintenance.</p>	<p>Established budget setting process including, monitoring controls and variance analysis</p> <p>Involvement in National Fraud Initiative.</p> <p>Compliance with procurement regulations and best practice transactions.</p>	<p>No issues have arisen as part of our audit work that would indicate fraud in expenditure recognition.</p>

Audit risk	Assurance procedure	Results and conclusions
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>4 Financial sustainability</b></p> <p>The majority of the Park's income is received from the constituent authorities in the form of grant funding. There is a risk that the current level of funding provided by constituent authorities is not sustainable given the ongoing budget constraints within local authorities.</p>	<p>Monitor developments through review of committee papers and minutes.</p> <p>Assess budget performance through audit of financial statements.</p>	<p>Our review of committee papers identified that ongoing funding from constituent local authorities is regularly monitored by officers to ensure that budgeted expenditure is sustainable.</p>

# Appendix 3

## Summary of national performance reports 2017/18



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

# Mugdock Country Park Joint Management Committee

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