

Mugdock Country Park Joint Management Committee

Annual Audit Plan 2016/17



Prepared for Mugdock Country Park Joint Management Committee

February 2017

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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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Mugdock Country Park Joint Management Committee ("the Park"). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<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>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable. 	<ul style="list-style-type: none"> Perform detailed testing of journal entries. Review of accounting estimates for bias. Evaluation of significant transactions that are outside the normal course of business.
<p>2 Risk of fraud over income</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>	<ul style="list-style-type: none"> Established budget setting process including monitoring controls and variance analysis. Board and member scrutiny through regular cycle of committee reporting. Availability of the use of East Dunbartonshire Council's Corporate Fraud Team. 	<ul style="list-style-type: none"> Perform analytical procedures on income streams. Carry out detailed testing of revenue transactions focusing on the areas of greatest risk.

Audit Risk	Management assurance	Planned audit work
<p>3 Financial management</p> <p>Our review of recent revenue budget monitoring reports in 2016/17 noted minor errors in both the covering report and appendices. There is a risk that insufficient or inaccurate financial information is presented to the Joint Management Committee and included in the financial statements.</p> <p>In addition, our 2015/16 Annual Audit Report noted that where variances have been identified in monitoring reports, action is not always action taken by the Joint Management Committee to address these variances. This increases the risk that the Park will not meet its budget and additional funding will be required from the constituent authorities.</p>	<ul style="list-style-type: none"> Regular monitoring to review variances and finance officers meet with Park Manager each period to review financial position. Management continue to look at areas to mitigate against potential overspends. Additional income streams continue to be investigated to improve financial position. 	<ul style="list-style-type: none"> Monitor frequency and accuracy of revenue budget monitoring reports through review of committee papers. Review papers and minutes in order to ascertain the level of scrutiny applied to financial information presented to the Joint Management Committee.

Wider dimension risks

<p>4 Financial sustainability</p> <p>The majority of the Park's income is received from the constituent local 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>	<ul style="list-style-type: none"> Regular monitoring to look at variances, and Finance team meet with Park Manager each period to review financial position. Management continue to look at areas to mitigate against potential overspends. Additional income streams continue to be investigated to improve financial position. 	<ul style="list-style-type: none"> Monitor developments through review of committee papers and minutes Assess budget performance through audit of financial statements.
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Reporting arrangements

3. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

4. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

5. We will provide an independent auditor's report to the Joint Management Committee and the Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Joint Management Committee and Auditor General for Scotland and Accounts Commission with an annual report on

the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Joint Management Committee Date
Annual audit report including ISA 260 requirements	29 September 2017	TBC
Signed independent auditor's report	29 September 2017	TBC

Audit fee

6. The agreed audit fee for the 2016/17 audit of the Park is £3,110, a decrease of £370 (10.6%) on the 2015/16 fee. In determining the audit fee we have taken account of the risk exposure of the Park, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 16 June 2017.

7. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Joint Management Committee and Treasurer

8. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

9. The audit of the financial statements does not relieve the Joint Management Committee, as those charged with governance, of their responsibilities.

Appointed auditor

10. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

11. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

12. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the Park and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the Park will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

13. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the Park and its expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements

Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for the Park are set out in [Exhibit 3](#).



Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2016 based on the budget for 2016.	£4,800
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 80% of planning materiality.	£3,800
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£240

15. We review and report on other information published with the financial statements including the management commentary and the annual governance statement. Any issue identified will be reported to the Joint Management Committee.

Timetable

16. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Joint Management Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	TBC
Latest submission date of unaudited financial statements with complete working papers package	16 June 2017
Latest date for final clearance meeting with Treasurer	TBC
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	TBC
Independent auditor's report signed	29 September 2017

Internal audit

17. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we

carry out an assessment of the internal audit function. Internal audit is provided by the internal audit section of East Dunbartonshire Council.

Areas of reliance

18. We do not plan to place formal reliance on the work of internal audit in 2016/17 for those key financial systems from which the annual financial statements are produced. This is due to the risk based approach undertaken by internal audit in relation to these key financial systems.

Independence and objectivity

19. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

20. The engagement lead for the Park is Peter Lindsay, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the Park.

Quality control

21. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

22. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

23. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Mugdock Country Park Joint Management Committee

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