

Mugdock Country Park Joint Management Committee



2016/17 Annual Audit Report

 AUDIT SCOTLAND

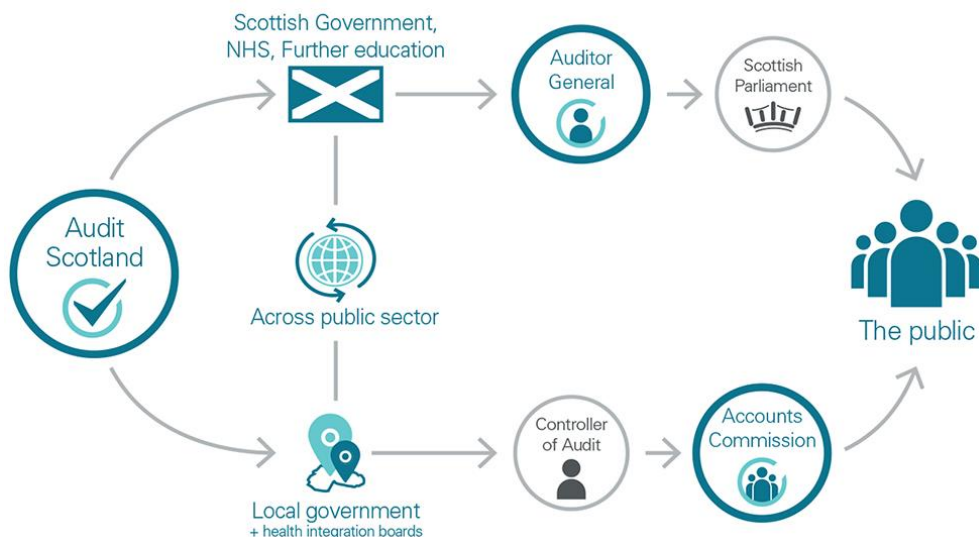
To Members of Mugdock Country Park Joint Management Committee and the Controller of Audit

19 September 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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Key messages

Audit of the 2016/17 annual accounts

- 1 We have provided an unqualified audit opinion on the 2016/17 annual accounts.

Financial management

- 2 The constituent authorities, East Dunbartonshire Council and Stirling Council, have managed the Park's running costs within the available budget.
- 3 The Park reported a net overspend of £44,762 for 2016/17. This was mainly as a result of non-recurring employee costs.

Financial sustainability

- 4 The Park has secured contributions of £353,878 towards the operational costs of the project for 2017/18 which will ensure they can operate as a going concern for the next 12 months.

Governance and transparency

- 5 The Park has effective governance arrangements in place that support the scrutiny of decisions made by the Joint Management Committee.

Value for money

- 6 Performance management information is reported at each Joint Management Committee meeting.
- 7 The Park should develop systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on its arrangements to promote continuous improvement and value for money in service provision.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of Mugdock Country Park Joint Management Committee (“the Park”).
2. The scope of the audit was set out in our Annual Audit Plan, issued in February 2017. This report sets out our findings from:
 - our audit of the 2016/17 annual accounts
 - our consideration of the four dimensions, [Exhibit 1](#), that frame the wider scope of public sector audit, to the extent that they are applicable to the activity of the Park.

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The Treasurer is responsible for the preparation of the annual accounts in accordance with proper practices set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
4. Our responsibility, as the external auditor of the Park, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland and the ethical standards issued by the Auditing Practices Board.
5. Further details of the respective responsibilities of management and the auditor can be found in Audit Scotland’s [Code of Audit Practice 2016](#).
6. The audit of the annual accounts is not designed to identify all matters that may be relevant to those charged with governance. We have included in this report

only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made. It is the auditor's responsibility to express an opinion on the annual accounts prepared by management. This does not relieve management of their responsibility for the preparation of the annual accounts.

7. This report includes an action plan at [Appendix 1](#). It sets out recommendations arising from our audit.

8. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2016/17 agreed fee for the audit was £3,110 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

9. This report is addressed to both the members of the Park Joint Management Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

10. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Part 1

Audit of the 2016/17 annual accounts



Main judgement

Unqualified audit opinion on the annual accounts.

Unqualified audit opinion

11. The annual accounts for the year ended 31 March 2017 were approved by the Joint Management Committee on 19 September 2017. Our independent auditor's report includes:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary and the annual governance statement.

12. We have nothing to report in respect of those matters on which we are required to report by exception.

Submission of the Park's annual accounts for audit

13. We received the unaudited accounts and working papers on 6 June 2017. Finance staff provided good support to the audit team which helped ensure that the audit process ran smoothly.

Risk of material misstatement

14. [Appendix 2](#) summarises the risks of material misstatement and one "wider audit dimension" risk, which were identified during the planning process and influenced our audit approach.

Materiality

15. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

16. Our initial assessment of materiality was undertaken during the planning phase of the audit and was based on the gross expenditure reported in the audited 2015/16 annual accounts. On receipt of the 2016/17 unaudited accounts we reviewed our original materiality figures and revised the levels to reflect the gross expenditure for the year ended 31 March 2017 ([Exhibit 2.](#))

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

Exhibit 2

Materiality

| Materiality level | Amount |
|---|--------|
| Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017. | £5,590 |
| 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 75% of overall materiality. | £4,472 |
| Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. We consider that an appropriate figure of interest to members would be £280. | £280 |

Findings

17. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit.

18. A small number of presentational adjustments were identified within the annual accounts during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited accounts. One monetary error was identified and the financial statements changed; the effect of the adjustment was to decrease the year end receivables balance by £1,609, and increase the temporary advance from East Dunbartonshire Council by the same amount.

19. In accordance with normal audit practice, a number of minor presentational and disclosure amendments were discussed and agreed with management. We do not consider any of those amendments significant enough to require them to be communicated to you under ISA 260.

Part 2

Financial management



Main judgement

The administering authorities, East Dunbartonshire Council and Stirling Council, have managed the Park's running costs within the available budget.

The Park reported a net overspend of £44,762 for 2016/17. This was mainly as a result of non-recurring employee costs.

Financial performance in 2016/17

20. A new Minute of Agreement between East Dunbartonshire Council and Stirling Council came into effect on 1 April 2016. 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 overseeing the Park's running costs within the available budget.

21. The Comprehensive Income and Expenditure Statement (CIES) for the year ended 31 March 2017 reports expenditure for the year of £559,468. A significant proportion of this, at £419,693, consisting of staff costs, with further costs going towards maintenance, utilities, trading and events.

22. The income reported in the CIES is £170,709. This is comprised of £89,590 from rents and recharges, and £81,119 in trading and events income. In particular, the trading income has increased significantly from the prior year figure of £43,320.

Internal controls

23. All of the Park's transactions are processed through East Dunbartonshire Council's financial systems. As part of the 2016/17 East Dunbartonshire Council audit we reviewed and tested the key controls over these systems. This testing did not identify any significant control weaknesses which could affect the Park's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the annual accounts.

Financial Management

24. As auditors, we need to consider whether the Park has established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the Treasurer has sufficient status to be able to deliver good financial management
- financial regulations are comprehensive, current and promoted within the Park

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- members provide a good level of challenge and question budget holders on significant variances.

25. The Park is covered by East Dunbartonshire Council's financial regulations. We concluded that these are comprehensive and current. The Council's financial regulations are available on the Council's website.

26. As auditors we attend a number of committee meetings each year. Members provide an adequate level of challenge and question budget holders on significant variances and service performance issues.

27. Financial monitoring reports are submitted to the Joint Management Committee on a quarterly basis. During the year a small number of errors were identified within these reports however these were amended for future report. Overall we consider that the Park's financial management arrangements are broadly satisfactory.

Part 3

Financial sustainability



Main judgement

The Park has secured contributions of £353,878 towards the operational costs for 2017/18 which will ensure it can operate as a going concern for the next 12 months.

Funding

28. The Park set its 2017/18 budget in March 2017. The 2017/18 budget was set at £353,878, including a fixed contribution of £50,000 from Stirling Council, which reflects the update to the Minute of Agreement effective from 1 April 2016.

Current and future activity

29. Overall, the Park reported a net overspend against budget of £44,762. This was due mainly to an overspend against the employee costs budget as a result of the implementation of East Dunbartonshire Council's Strategic Operating Model (SOM) back pay costs and redundancy costs. An overspend of £10,766 was also noted against the utilities budget, although this was offset by an increase in income received for rents and recharges.

30. The Park's balance sheet as at 31 March 2017 reflects net assets of £0. However, this includes a temporary advance from East Dunbartonshire Council of £16,582 which reflects the net position of current assets and liabilities at the year end and represents a net cash inflow position

31. Net revenue expenditure to be met by constituent authorities in 2016/17 was £388,759, a decrease of £13,958 from the previous year.

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.

Part 4

Governance and transparency



Main Judgement

The Park has effective governance arrangements in place that support the scrutiny of decisions made by the Joint Management Committee.

Governance arrangements

Internal control

32. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the Park's annual accounts.

33. Financial transactions are processed through East Dunbartonshire Council's financial systems. The annual governance statement for the year 2016/17, signed by the Treasurer, outlines these arrangements. It is therefore the responsibility of the Council's management to maintain adequate financial systems and associated internal controls. The annual governance statement concludes that the Council has an adequate system of internal controls with a small number of weaknesses identified.

Internal audit

34. Internal audit is an important element of the East Dunbartonshire Council governance structure. Our review of internal audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place. Due to the nature and extent of internal audit coverage we placed no formal reliance on the work of internal audit during 2016/17 for those key financial systems from which the annual financial statements are produced. Furthermore, no specific work on the Park was carried out. As a result, assurances could not be taken in relation to these transactions.

Arrangements for the prevention and detection of fraud

35. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud within the Park are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

36. The arrangements for the prevention and detection of corruption in the Park are satisfactory and we are not aware of any specific issues that we need to record in this report.

Transparency

37. Transparency means that the public have access to understandable, relevant and timely information about how the Joint Committee is taking decisions and how it is using resources. As minutes and supporting papers from all Joint Committee meetings are readily available on the East Dunbartonshire Council website we are satisfied that the Park conducts its business in an open and transparent manner.

Management commentary and annual governance statement

38. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires the Park to prepare and publish, along with its financial statements, an annual governance statement and management commentary that are consistent with the disclosures made in the financial statements.

39. We concluded that the management commentary and annual governance statement contained within the 2016/17 annual accounts are consistent with the financial statements.

Remuneration report

40. The Local Authority Accounts (Scotland) Amendment Regulations 2011 require local authorities in Scotland to prepare a remuneration report as part of the annual accounts.

41. As the Park makes no payment of salary, allowances or pension contributions to any of the councillors who are appointed members of the Joint Management Committee, and do not employ any officers who fall within the relevant definition of individuals that are to be disclosed in such a report, a remuneration report is not required. An explanatory note has been included within the annual accounts as a result.

Part 5

Value for money



Main judgement

Performance management information is reported at each Joint Management Committee meeting.

The Park should put in place arrangements to demonstrate that it is delivering Best Value by promoting continuous improvement and value for money in service provision.

Best Value

42. Local government bodies, including joint management committees, have a statutory duty to make arrangements to secure Best Value, through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.

43. Best Value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The Park should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

[Action Plan \(Appendix 1, point 1\)](#)

Value for money is concerned with using resources effectively and continually improving services.

Performance management

44. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

45. The number of visitors to the Park is monitored on a monthly basis and presented to the Joint Management Committee as part of the General Progress Report. The total number of visitors for 2016/17 was calculated to be 634,540. This was an increase of 3,205 on the total recorded in 2015/16.

Outlook

46. We confirm the financial sustainability of the Park on the basis of its financial position. However, the operation of the Park is dependent on local authority funding. As both East Dunbartonshire and Stirling councils' funds are projected to continually decrease in the next few years this may have a negative impact on funding available to the Park. It is important that the Park secures funding to support service needs and monitors this closely against expenditure. As local government bodies are facing a funding environment which is subject to sustained pressure to deliver more with less this may also impact on funding and service delivery.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



Page
no.

Issue/risk

Recommendation

Agreed management
action/timing

14

1. Best Value

The Park should have arrangements in place to demonstrate that it is delivering Best Value in the provision of services.

Risk

Opportunities for continuous improvement are missed.

The Park should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.

The Council will commit to undertake a review to consider Best Value arrangements.

Place & Business
Development Manager

December 2017

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 opinion on the financial statements.

| 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.</p> | <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>Our audit procedures did not identify any evidence of management override of controls.</p> |
| <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"> • Perform analytical procedures on income streams. • Carry out detailed testing of revenue transactions focusing on the areas of greatest risk. | <p>No issues have arisen as part of our audit work that would indicate fraud in revenue recognition.</p> |
| <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</p> | <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. | <p>Our review of revenue budget monitoring reports for the remainder of 2016/17 did not identify any errors.</p> <p>Procedures have been continued to ensure finance officers from East Dunbartonshire Council meet with Park officers on a regular basis to discuss variances against budgets.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|---|--|
| <p>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> | | |
| <p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p> | | |
| <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"> • Monitor developments through review of committee papers and minutes • Assess budget performance through audit of financial statements. | <p>Our review of committee papers identified that ongoing funding from constituent local authorities is regularly monitored by members and officers to ensure budgeted expenditure is sustainable.</p> |

Mugdock Country Park Joint Management Committee

2016/17 Annual Audit Report

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