

Mugdock Country Park Joint Management Committee

2018/19 Annual Audit Report



 AUDIT SCOTLAND

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

10 September 2019

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.

Contents

| | |
|--|----|
| Key messages | 4 |
| Introduction | 5 |
| Part 1 Audit of 2018/19 annual accounts | 7 |
| Part 2 Financial sustainability and governance statement | 10 |
| Appendix 1 Significant audit risks identified during planning | 12 |
| Appendix 2 Summary of national performance reports 2018/19 | 14 |

Key messages

2018/19 annual accounts

- 1** Mugdock Country Park Joint Management Committee's financial statements give a true and fair view and were properly prepared.
- 2** The management commentary and the annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial sustainability and annual governance statement

- 3** The renewed Minute of Agreement secures the current levels of funding from the constituent councils for the Park for the period 2019-2024.
- 4** We concluded that the information in the annual governance statement complies with guidance.

Introduction

1. This report summarises the findings from our 2018/19 audit of Mugdock Country Park Joint Management Committee (“the Park”).

Scope of our audit

2. The scope of our audit was set out in our Annual Audit Plan presented to the 19 March 2019 meeting of the Joint Committee. This report comprises the findings from:

- an audit of the Park’s annual accounts
- our consideration of the financial sustainability of the Park and appropriateness of the annual governance statement

Adding value through the audit

3. We add value to the Park through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability

4. In so doing, we aim to help the Park promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. The Park has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

6. 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 appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK.

8. As public-sector auditors we give independent opinions on the annual accounts and conclude on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.

9. 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. As highlighted in our 2018/19 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 2018/19 audit.

10. 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.

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 2018/19 audit fee of £2,980 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

Acknowledgement

13. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

The Park's financial statements give a true and fair view and were properly prepared.

The management commentary and the annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

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

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the Joint Committee on 18 June 2019. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- the management commentary and the annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual accounts for audit

15. We received the unaudited annual accounts on 7 May 2019 in line with our agreed audit timetable.

16. The unaudited annual 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

17. [Appendix 1](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

18. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

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. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

21. On receipt of the unaudited annual accounts we reviewed our materiality calculations and revised the levels to reflect the gross expenditure of the Park for the year ended 31 March 2019. These are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

| Materiality level | Amount |
|-------------------------|--------|
| Overall materiality | £4,400 |
| Performance materiality | £2,600 |
| Reporting threshold | £130 |

Source: Audit Scotland

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, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

23. The significant findings 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.

Exhibit 2 Significant findings from the audit of the financial statements

| Finding | Resolution |
|--|---|
| <p>1. Cut-Off Testing</p> <p>As part of our year end cut-off testing, we identified two expenditure transactions totalling £4,343 which had been incorrectly posted to the wrong financial year (i.e. 2019/20).</p> | <p>Officers corrected the errors identified from our testing. This adjustment increased net revenue expenditure reported in the comprehensive income and expenditure statement (CIES) by £4,343. It also increased payables reported in the balance sheet by £4,343.</p> <p>Officers should review year end procedures to ensure transactions are posted to the correct financial year.</p> |

| Finding | Resolution |
|---|--|
| <p>2. STACA Accrual</p> <p>A late adjustment to the short term accumulating compensated absences (STACA) accrual meant that employee costs in the CIES were understated by £4,313.</p> | <p>Officers corrected the error resulting in a £4,313 increase in net revenue expenditure.</p> |
| <p>Source: Audit Scotland</p> | |

How we evaluate misstatements

24. There were no material adjustments to the unaudited accounts arising from our audit. Two misstatements (outlined in [exhibit 2](#)) were above our reporting threshold of £130. It is our responsibility to request that all misstatements above the reporting threshold are corrected and management has amended these in the audited accounts.

Part 2

Financial sustainability and governance statement



Main judgements

The renewed Minute of Agreement secures the current levels of funding from the constituent councils for the Park for the period 2019-2024

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

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.

Financial performance in 2018/19

25. 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.

26. The comprehensive income and expenditure statement (CIES) for the year ended 31 March 2019 reports expenditure for the year of £601,229. This is £111,474 higher than 2017/18 and £49,000 more than budgeted, however, the Park was able to utilise a £47,000 carry forward from the prior year. The increase in expenditure during 2018/19 is mainly due to higher employee costs and increased spend on materials, supplies & services.

27. The income for the year reported in the CIES is £187,046, comprising £87,136 from Rents & Recharges and a further £99,909 from Trading & Events. Income received was £54,000 more than budgeted.

28. The net outturn position against budget for the year was an underspend of £5,000.

Future Funding

29. The Minute of Agreement between East Dunbartonshire Council and Stirling Council, which sets out the administrative and funding arrangements for the Park, ended in March 2019. A new Minute of Agreement, effective for the period 2019-2024, has been prepared and retains the principals of the old agreement. This includes the levels of funding provided by each council.

30. The renewed Minute of Agreement confirms the continued support of the constituent councils for the next five years and this is key to the financial sustainability of the Park.

Capital Projects Plan

31. The Park has an ambitious Capital Projects Plan which includes the Mugdock Barns project. This aims to provide new facilities for education, events and

business at an expected cost of around £450,000. A feasibility study is underway to determine the scope and approach to the project.

32. Due to the levels of capital funding available to the park, external funding is likely to be necessary to deliver the project. This has yet to be secured and sources of funding are being investigated.

33. The Place & Business Development Manager will provide an update to the Committee in September 2019.

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 the host authority, provides support in some key areas of business, particularly in finance, legal and information technology.

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.

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 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> | <ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • 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"> • Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk. | <p>Our audit procedures did not identify any evidence of fraud over income.</p> |
| <p>3 Risk of fraud over expenditure</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 & events and maintenance.</p> | <ul style="list-style-type: none"> • Established budget setting process including, monitoring controls and variance analysis • Involvement in National Fraud Initiative. • Compliance with procurement regulations and best practice transactions. | <p>Our audit procedures did not identify any evidence of fraud over expenditure.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|---|
| Risks identified from the auditor's wider responsibility under the Code of Audit Practice | | |
| <p>4 Financial sustainability</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> | <ul style="list-style-type: none"> • Monitor developments through review of committee papers and minutes. • Assess budget performance through audit of financial statements. | <p>We confirmed that a renewed Minute of Agreement has been prepared on the same terms as the old agreement which continues the current levels of funding provided by each council.</p> |

Appendix 2

Summary of national performance reports 2018/19



2018/19 Reports

| | | | |
|--|---|-------------|--|
| Local government in Scotland: Challenges and performance 2018 |  | Apr | |
| Councils' use of arm's-length organisations |  | May |  Scottish Fire and Rescue Service: an update |
| Scotland's colleges 2018 |  | Jun | |
| | | Jul |  The National Fraud Initiative in Scotland 2016/17 |
| Forth Replacement Crossing |  | Aug |  Major project and procurement lessons |
| Children and young people's mental health |  | Sept |  Superfast broadband for Scotland: further progress update |
| NHS in Scotland 2018 |  | Oct | |
| Health and social care integration: update on progress |  | Nov |  Local government in Scotland: Financial overview 2017/18 |
| | | Dec | |
| | | Jan | |
| | | Feb | |
| | | Mar |  Local government in Scotland: Challenges and performance 2019 |

Mugdock Country Park Joint Management Committee

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