

Mugdock Country Park Joint Management Committee

2019/20 Annual Audit Report

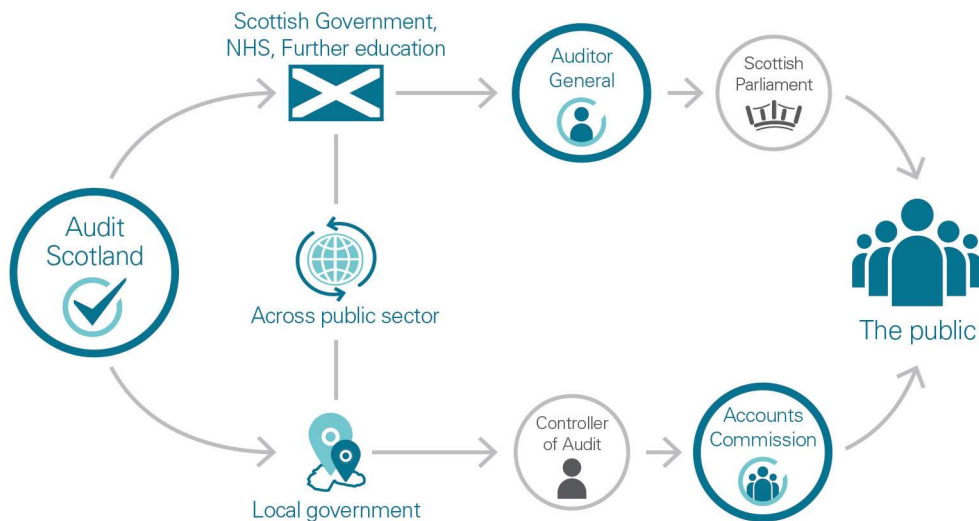


Prepared for the Members of Mugdock Country Park Joint Management Committee and the
Controller of Audit
17 November 2020

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

2019/20 annual accounts

- 1** Mugdock Country Park Joint Management Committee (the Park) financial statements give a true and fair view and were properly prepared.
- 2** Despite additional pressures arising from Covid-19, the annual report and accounts were presented to audit in accordance with the agreed timeline as set out in our Annual Audit Plan.
- 3** The management commentary and annual governance statement are both consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

Financial sustainability and Annual Governance Statement

- 4** The renewed Minute of Agreement secures the current levels of funding from the constituent authorities for the Park for the period 2019-2024. However, this requires to be formally ratified by the Joint Management Committee.
- 5** The increased budget pressures on each of the partner authorities as a result of the impact of Covid-19 presents a risk to the Park in its aim of maintaining a sustainable financial position in the future.
- 6** We concluded that the information in the Annual Governance Statement complies with guidance and is consistent with our knowledge of the Park. However, minor changes are required to improve disclosures going forward.

Introduction

1. This report summarises the findings arising from the 2019/20 audit of Mugdock Country Park Joint Management Committee (the Park).
2. The scope of the audit was set out in our 2019/20 Annual Audit Plan presented to March 2020 meeting of the Joint Management Committee. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the financial sustainability of the Park and the appropriateness of the annual governance statement

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2019/20 have been:
 - an audit of the Park's 2019/20 annual accounts including the issue of an independent auditor's report setting out our opinion
 - consideration of the Park's financial sustainability.
4. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the Park has had to respond to the global coronavirus pandemic (Covid-19). This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. This has had significant implications on the service that it delivers. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

Adding value through the audit

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

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- taking this together, 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

6. 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.

7. The Park is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

8. 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.

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

10. 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 2019/20 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 2019/20 audit.

11. This report raises matters from our audit. 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.

12. 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 the steps being taken to implement them.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of 3,050 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. 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 in due course. 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 2019/20 annual accounts



Main judgements

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

Despite additional pressures arising from Covid-19, the annual report and accounts were presented to audit in accordance with the agreed timeline as set out in our Annual Audit Plan

The management commentary and annual governance statement are consistent with the financial statements and prepared in accordance with relevant regulations and guidance

The annual accounts are the principal means of accounting for the stewardship of resources and performance.

Our audit opinions on the annual accounts are unmodified

15. The accounts for the Park for the year ended 31 March 2020 were approved by the Joint Management Committee on 17 November 2020. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary and the annual governance statement were consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

16. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were affected by the Covid-19 outbreak. The year-end stock take was due to be undertaken on 31 March 2020, however as a consequence of Covid-19, all Mugdock properties were closed at that date therefore it was not possible to conduct a physical stock count. Some stock had been checked prior to year-end, however inventories totalling £472 could not be verified. We do not consider this to be material and have not modified our audit opinion.

17. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

18. The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local authority to determine its own revised timetable for the Annual Accounts.

19. The Park did not require to exercise the powers in the 2020 Act to postpone the publication of the unaudited accounts. We received the unaudited annual accounts on 28 May 2020 in line with the original timetable set out in our Annual Audit Plan, however the option to extend the deadline to approve the audited accounts past 30 September 2020 was exercised. The audited accounts were approved on 17/11/2020, in line with Scottish Government revised deadlines.

Objections

20. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Park complied with these regulations. There were no objections to the 2019/20 accounts.

Materiality

21. 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 value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

22. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and was based on the gross expenditure reported in the 2018/19 audited annual accounts.

23. On receipt of the unaudited annual accounts we reviewed our materiality and recalculated materiality levels based on the actual gross expenditure for the year ended 31 March 2020. Our final materiality levels are summarised at [Exhibit 2](#) below.

Exhibit 2 Materiality values

| Materiality level | Amount |
|-------------------------|--------|
| Overall materiality | £3,940 |
| Performance materiality | £2,360 |
| Reporting threshold | £115 |

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

24. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any financial sustainability risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work. We have no issues to report from our work on the risks of material misstatement highlighted in our 2019/20 Annual Audit Plan.

Part 3

Financial sustainability and Annual Governance Statement



Main judgements

The renewed Minute of Agreement will secure the current levels of funding from the constituent councils for the Park for the period 2019-2024. However, this requires to be formally ratified by the Joint Management Committee

The increased budget pressures on each of the partner authorities as a result of the impact of Covid-19 presents a risk to the Park in its aim of maintaining a sustainable financial position in the future

We concluded that the information in the governance statement is consistent with the financial statements and broadly complies with the guidance issued by Scottish Ministers. However, minor changes are required to improve disclosures going forward.

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

Financial performance in 2019/20

25. The Park is funded jointly by East Dunbartonshire Council and Stirling Council. 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 2020 reports expenditure for the year of £525,846. This is £75,383 lower than in 2018/19, and only £1,884 more than budgeted. Spend in 2019/20 was lower than in the previous year primarily due to a large carry forward that was spent in 2018/19 on park improvements.

27. The income for the year reported in the CIES is £170,958, comprising £76,082 from Rents & Recharges, and a further £91,511 from Trading & Events, and is £26,848 more than the original budget. This is due to higher than expected income through gift shop sales and room & land hire for performances.

28. Overall, the net cost of services was lower than budget by £28,728, due to additional income received through ticket sales and in shop sales.

Future Funding

29. The majority of the Park's income is received from the constituent local authorities, East Dunbartonshire Council and Stirling Council, in the form of grant funding. This is managed through a Minute of Agreement, which expired on 31 March 2019. In our AAP, we reported that a draft Minute of Agreement for 2019-2024 has been prepared, which confirms that funding will be provided on the same basis as the previous.

30. As at September 2020, the revised Minute of Agreement had not yet been ratified by the Joint Management Committee. Whilst the budget for the Park for 2020/21 has already been agreed and approved by East Dunbartonshire Council, steps should be taken to ensure the Minute of Agreement is signed by all parties as soon as reasonably possibly to ensure funding is secured for the Park in the coming years.



Recommendation 1

The revised Minute of Agreement should be approved by the Joint Management Committee to ensure revenue budgets and capital project plans can be agreed and progressed based on agreed funding

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. The initial feasibility process provided a high level elemental cost of £442k. However, the RIBA Stage 1 study completed in 2019 estimated a higher cost to deliver of £669k, due to significant costs associated with utilities connections.

32. The project has now been progressed to RIBA Stage 2, with costed designs presented to the Joint Management Committee. Officers are reviewing the business plan to identify elements which could be removed without significantly impacting outcomes which the project would deliver, as final costings remain above the approved budget.

33. Due to the levels of capital funding available to the Park, external funding is likely to be required to deliver this project. This has yet to be secured and sources of funding are being investigated. An update is expected to the Joint Management Committee late 2020.

Annual Governance Statement

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

35. Going forward, some minor changes have been agreed for the Annual Governance Statement, which will be reflected in the 2020/21 Annual Accounts.

Internal Controls

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

37. 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.

38. 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

Action plan 2019/20



No. Issue/risk

Recommendation

Agreed management action/timing

1 Minute of Agreement

The Majority of the Park's income is from constituent local authorities, as managed through the Minute of Agreement. This expired on 31 March 2019, and the revised Minute of Agreement for 2019-2024 has yet to be formally approved by the Park

Risk - The Park does not have funding secured and approved for future years.

The revised Minute of Agreement should be approved by the Joint Management Committee to ensure revenue budgets and capital project plans can be agreed and progressed based on agreed funding.

[Paragraph 30](#)

The minute of agreement will be presented to a future meeting, the timing of which is uncertain due to the current Covid conditions. With the new minute being on the same basis as that previously agreed, this risk remains managed.

Executive Officer – Roads and Environment

March 2021

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 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 material misstatement cause by management override of controls</p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent 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>2 Risk of material misstatement caused by fraud in income recognition</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>Our audit procedures did not identify any evidence of fraud over income.</p> |
| <p>3 Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</p> <p>There is therefore a risk that expenditure may be misstated resulting in a material</p> | <p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p> | <p>Our audit procedures did not identify any evidence of fraud over expenditure.</p> |

| Audit Risk | Assurance procedure | Results and conclusions |
|---|---------------------|-------------------------|
| misstatement in the financial statements. | | |

Risks identified from the auditor's wider responsibility under the Code of Audit Practice











| | | |
|--|---|--|
| <p>4 Financial sustainability</p> <p>Based on the current economic climate and budget constraints within the Park's local authority partners, there is a possibility that income targets may not be realised. This could adversely impact on the Park's ability to maintain, develop and promote the park in like with the organisation's service plan objectives.</p> <p>The majority of the Park's income is received from the constituent local authorities in the form of grant funding This is managed through the Minute of Agreement, which expired on 31 March 2019. A draft Minute of Agreement for the period 2019-2024 has been prepared that confirms funding will be provided on the same basis as the previous minute, however this has yet to be approved by the Joint Management Committee.</p> | <p>Monitor developments through review of Joint Management Committee papers and minutes.</p> <p>Assess budget performance through audit of annual accounts.</p> | |
| <p>5 Budget setting & Budget monitoring</p> <p>Due to the nature of the funding arrangements of the Park there is no formal budget approval process carried out by the Joint Management Committee. The budgeted spend for the year is communicated to members through the use of budget monitoring reports which does not allow comparison with prior year spend.</p> <p>We also note that from review of recent budget monitoring reports that there are often significant variances identified with limited detail provided as the explanation.</p> <p>In addition, we noted that there are large fluctuations in some income and expenditure budget lines between years, but these are not highlighted to members.</p> | <p>Review of 2020/21 budget setting process for the Park</p> <p>Ongoing review of budget monitoring reports.</p> | |

| Audit Risk | Assurance procedure | Results and conclusions |
|---|---------------------|-------------------------|
| There is a risk that budget setting is not transparent and is not based on accurate financial projections for the year. | | |

Appendix 3

Summary of national performance reports 2019/20



| | | | |
|--|---|-------------|--|
| | | Apr | |
| Social security: Implementing the devolved powers |  | May | |
| Scotland's colleges 2019 |  | Jun |  Enabling digital government |
| | | Jul | |
| NHS workforce planning - part 2 |  | Aug | |
| Finances of Scottish universities |  | Sept | |
| NHS in Scotland 2019 |  | Oct | |
| | | Nov | |
| Local government in Scotland: Financial overview 2018/19 |  | Dec | |
| Scotland's City Region and Growth Deals |  | Jan |  Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models |
| | | Feb | |
| | | Mar |  Early learning and childcare: follow-up |

Mugdock Country Park Joint Management Committee

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