

# Mugdock Country Park Joint Management Committee

Annual Audit Plan 2021/22



 AUDIT SCOTLAND

Prepared for Mugdock Country Park Joint Management Committee

March 2022

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# Introduction

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## Summary of planned audit work

1. This document summarises the work plan for our 2021/22 external audit of Mugdock Country Park Joint Management Committee (the Park). The main elements of our work include:

- an audit of, and provision of an Independent Auditor's Report
- an audit opinion on regularity and other statutory information published within the annual accounts including the Management Commentary and Annual Governance Statement
- consideration of arrangements in relation to the audit dimensions: financial management, financial sustainability, governance and transparency and value for money that frame the wider scope of public sector audit.

## Impact of Covid-19

2. The coronavirus disease (Covid-19) pandemic has had a significant impact on public services and public finances, and the effects will be felt well into the future.

3. The Auditor General for Scotland, the Accounts Commission and Audit Scotland continue to assess the risks to public services and finances from Covid-19 across the full range of our audit work, including annual audits and the programme of performance audits. The well-being of audit teams and the delivery of high-quality audits remain paramount. Changes in our approach may be necessary and where this impacts on annual audits, revisions to this Annual Audit Plan may be required.

## Adding value

4. We aim to add value to Mugdock Country Park Joint Management Committee through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we will help Mugdock Country Park Joint Management Committee promote improved standards of governance, better management and decision making and more effective use of resources. Additionally, we attend meetings of the Joint Management Committee and actively participate in discussions.

## Respective responsibilities of the auditor and Joint Management Committee

5. The [Code of Audit Practice \(2016\)](#) sets out in detail the respective responsibilities of the auditor and Mugdock Country Park Joint Management Committee. Key responsibilities are summarised below.

## Auditor responsibilities

**6.** Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

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

## Joint Management Committee and Treasurer responsibilities

**8.** The Joint Management Committee is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

**9.** The Joint Management Committee and Treasurer 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 deliver their objectives.

## Managing the transition to 2022/23 audits

**10.** Audit appointments are usually for five years but were extended to six years due to Covid-19. 2021/22 is the final year of the current appointment and we will work closely with our successors to ensure a well-managed transition.

# Financial statements audit planning

## Materiality

**11.** Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. We are required to plan our audit to determine with reasonable confidence whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

### Materiality levels for the 2021/22 audit

**12.** The materiality values for the Park are set out in [Exhibit 1](#).

## Exhibit 1

### 2021/22 Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ending 31 March 2021 based on the latest audited financial statements for 2020/21.	£5,000
<b>Performance materiality</b> – 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 assessed performance materiality at 60% of planning materiality.	£3,000
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£250

Source: Audit Scotland

## Significant risks of material misstatement to the financial statements

**13.** Our risk assessment draws on our cumulative knowledge of the Park, its major transaction streams, key systems of internal control and risk management

processes. Also, it is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

**14.** Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

## Exhibit 2

### 2021/22 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p><b>1. Risk of management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> <li>• Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>• Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>• Evaluate significant transactions outside the normal course of business.</li> <li>• We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>• Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</li> <li>• Focused testing of accounting accruals and prepayments.</li> </ul>
<p><b>2. Risk of fraud in revenue recognition</b></p> <p>The majority of the Park's income is received through revenue contributions made by East Dunbartonshire and</p>	<p>Member scrutiny through regular technical bulletin updates.</p> <p>Availability of the use of East Dunbartonshire Council's Corporate Fraud Team.</p>	<ul style="list-style-type: none"> <li>• Analytical procedures on income streams.</li> <li>• Detailed testing of revenue transactions focusing on the areas of greatest risk.</li> </ul>

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>Stirling Councils as the constituent authorities. However, some income is also received from other sources, including rents and shop sales. The extent and complexity of income means there is an inherent risk of fraud.</p> <p>There is a risk therefore that income may be misstated resulting in a material misstatement in the financial statements.</p>		
<p><b>3. Risk fraud over expenditure</b></p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</p> <p>Audit Scotland's Code of Audit Practice requires that auditors should plan to address the risk that the financial statements may be materially misstated as a result of fraud over expenditure.</p> <p>There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<p>Member scrutiny through regular technical bulletin updates.</p> <p>Sound system of internal controls in place.</p>	<ul style="list-style-type: none"> <li>• Analytical procedures on expenditure streams.</li> <li>• Review Payroll expenditure and reconcile to the payroll system.</li> <li>• For other non-pay expenditure, we will test a sample of transactions.</li> </ul>

Source: Audit Scotland

**15.** Based on our assessment of the likelihood and magnitude of risk, we have assessed that there is a risk of material misstatement in inventory valuation for the 2021/22 audit of the Park. However, to mitigate this risk we intend attending the annual stock count at the financial year end. We will keep this under review as our audit progresses. If our assessment of risk changes and we consider risks identified to be significant, we will communicate this to management and those charged with governance and revise our planned audit approach accordingly.

## **Audit risk assessment process**

**16.** Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.



# Audit dimensions

## Introduction

**17.** The [Code of Audit Practice](#) (the Code) sets out the four dimensions that frame the wider scope of public sector audit. The Code requires auditors to consider the adequacy of the arrangements in place for the audit dimensions in audited bodies.

## Audit dimensions

**18.** The Code of Audit Practice includes a provision relating to the audit of small audited bodies. In the light of the limited volume and lack of complexity of the financial transactions and its low-risk nature, we plan to apply the small audited body provision of the Code to the 2021/22 audit of the Park.

**19.** 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 annual governance statement and the financial sustainability of the Park. We will report on these areas in our 2021/22 Annual Audit Report.

## Audit dimension risks

**20.** We have identified audit risks in the areas set out in [Exhibit 3](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks. assurances over the risk. The conclusions from this work will be reported in our 2021/22 Annual Audit Report.

## Exhibit 3

### 2021/22 Audit dimension risks

Description of risk	Sources of assurance	Planned audit response
<p><b>1. Financial Sustainability</b></p> <p>Most of the Park's income is received from the funding contributions made by the constituent local authorities. However, due to the ongoing Covid-19 pandemic and budget constraints within the Park's local authority partners, there is a</p>	<p>There is limited risk attached to in-year income targets from Local Authority contributions as these have been agreed as part of Council budget setting processes. Whilst Park income did reduce as a result of the lockdown this has since returned to, and latterly,</p>	<ul style="list-style-type: none"> <li>• Monitor developments through review of East Dunbartonshire Council committee papers and minutes.</li> <li>• Assess budget performance through audit of annual accounts.</li> </ul>

possibility that income targets may not be realised.

Furthermore, significant capital expenditure on Business Development and Asset Improvement projects have been identified, current costings exceed the annual and 5-year authority capital contributions included in the Minute of Agreement: 2019-2024.

In the current economic climate, opportunities to generate external funding are limited which could adversely impact on the Park's ability to maintain, develop and promote the park in line with the organisations service plan objectives.

exceeded income expectations. Where this continues to be the case additional provision will be able to offset any risk relating to reduced contributions in future years or support the Capital Programme where costs increase or new projects are required.

In terms of the latter a review is ongoing to establish whether any adjustments are now needed. In the current economic climate the Park considers itself to be in an excellent position to support aspirations to live well locally and grow the current offering in place to the benefit of local residents, businesses and communities.

## 2. Budget setting and monitoring

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 using elected member technical notes which include budget monitoring reports. These do not allow comparison with prior year spend and provide limited detail as to the reasons behind significant variances.

Due to Covid-19, there have only been two Joint Management Committee

Budget setting arrangements are aligned to those in East Dunbartonshire Council with a standing contribution provided by Stirling Council.

Whilst East Dunbartonshire's processes have been revised to accommodate Covid protocols however they remain robust with revenue reports providing suitable detail to enable scrutiny.

Budget setting protocols include consideration of pay, inflation and demography so provide an accurate projection for the year ahead.

- Review of 2021/22 budget setting process for the Park. Ongoing review of available monitoring reports presented to Council committee meetings.
- Ongoing review of reports presented to East Dunbartonshire Council committees, for information relevant to the Park.

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meetings held in 2021/22.  
Budgetary monitoring reports have not been presented for the Park to facilitate effective scrutiny.

There is a risk that budget setting and monitoring is not transparent and may not be based on accurate financial projections for the year.

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Source: Audit Scotland

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# Reporting arrangements, timetable, and audit fee

## Reporting arrangements

**21.** Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 4](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**22.** 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 officers to confirm factual accuracy.

**23.** We will provide an independent auditor's report to the Joint Management Committee and the Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Management Committee and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

**24.** [Exhibit 4](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 31 October 2022. We acknowledge this will be challenging due to the ongoing pressures and uncertainties caused by Covid-19. Due to the May 2022 Local Government elections, the committee dates from June 2022 onwards are yet to be finalised. However, our audit work has been scheduled to ensure the planned statutory deadline is met.

## Exhibit 4 2020/21 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	31/03/2022	By 31/10/2022
Independent Auditor's Report	31/10/2022	By 31/10/2022
Annual Audit Report	31/10/2022	By 31/10/2022

Source: Audit Scotland



## Timetable

**25.** To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 5](#) that has been discussed with management.

**26.** Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. To this end, 2021/22 is a transition year with the reporting deadline brought forward by one month relative to the two prior years. We are identifying ways to work more efficiently to expedite the 2021/22 audits whilst at the same time maintaining high standards of quality.

**27.** We will continue to work in close partnership with management with clarity over timescales and the requirement for high quality unaudited accounts and supporting working papers. Progress will be discussed with management and finance officers over the course of the audit.

### Exhibit 5 Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	By 30/06/2022
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	By 30/06/2022
Latest date for final clearance meeting with the Treasurer	By 31/08/2022
Issue of Letter of Representation and proposed Independent Auditor's Report	By 31/10/2022
Agreement of audited and unsigned annual accounts	By 31/10/2022
Issue of Annual Audit Report to those charged with governance.	By 31/10/2022
Signed Independent Auditor's Report	By 31/10/2022

Source: Audit Scotland

## Audit fee

**28.** The agreed audit fee for the 2021/22 audit of the Park is £3,210 (2020/21: £3,120). 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.

**29.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, the absence of adequate supporting working papers 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 out with our planned audit activity.

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# Other matters

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## Internal audit

**30.** ISA 610 requires an assessment on whether the work of the internal audit function can be used for the purposes of external audit. As in previous years, we plan to undertake a direct substantive testing approach to the audit of the annual accounts. Therefore, we do not require to place formal reliance on the work of internal audit for the audit of the annual accounts.

## Independence and objectivity

**31.** Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. 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 robust arrangements in place to ensure compliance with these standards including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

**32.** The engagement lead (i.e. appointed auditor) 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

**33.** International Standard on Quality Control (UK) 1 (ISQC1) requires a system of quality control to be 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.

**34.** 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](#) (and supporting guidance) 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 and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**35.** 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

## Annual Audit Plan 2021/22

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)