



Dams to Darnley Country Park Joint Committee

2015/16 Annual audit
report to Members and
the Controller of Audit

September 2016

Key contacts

Elaine Barrowman, Senior Audit Manager
ebarrowman@audit-scotland.gov.uk

Audit Scotland

4th Floor, The Athenaeum Building

8 Nelson Mandela Place

Glasgow

G2 1 BT

Telephone: 0131 625 1500

Website: www.audit-scotland.gov.uk

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies (www.audit-scotland.gov.uk/about/ac/). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General (www.audit-scotland.gov.uk/about/).

Elaine Barrowman, Senior Audit Manager, is the engagement lead for Dams to Darnley Country Park Joint Committee for the period 2011/12 to 2015/16.

This report has been prepared for the use of Dams to Darnley Country Park Joint Committee and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

Contents

Key messages	3
Introduction	4
Audit of the 2015/16 financial statements.....	5
Financial management and sustainability	8
Governance and transparency	10
Appendix I: Significant audit risks	12
Appendix II: Summary of Dams to Darnley Country Park Joint Committeelocal audit reports 2015/16	13
Appendix III: Action plan.....	14

Key messages

Audit of financial statements

- Unqualified independent auditor's report on the 2015/16 financial statements.
- Working papers were of a good standard and officers provided good support which enabled the audit team to complete on-site fieldwork by the planned target date.
- All presentation and disclosure issues identified in the unaudited accounts were corrected by management in the audited financial statements.

Financial management and sustainability

- The Joint Committee has incurred a deficit of £11,257 in 2015/16. The shortfall was met from reserves as planned. The actual deficit was marginally lower than the budgeted deficit of £12,307.

Governance and transparency

- The Dams to Darnley Country Park Joint Committee had sound governance arrangements in place during 2015/16.

Outlook

- The Dams to Darnley Country Park Joint Committee has agreed to dissolve the Joint Committee to be replaced by a Service Level Agreement (SLA) between Glasgow City Council and East Renfrewshire Council. The arrangements for this are still to be finalised.
- East Renfrewshire Council have formally approved the decision to dissolve the Joint Committee. However, no formal approval has been given by Glasgow City Council. Management should ensure appropriate processes are followed by Glasgow City Council to dissolve the Joint Committee in accordance with the Minute of Agreement.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of Dams to Darnley Country Park Joint Committee (the Joint Committee). The report is divided into sections which reflect our public sector audit model.
2. The management of the Joint Committee is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the Joint Committee, 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 in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of local audit reports have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#).
6. [Appendix III](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that the Joint Committee understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. 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.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
9. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of the Joint Committee will continue to be Audit Scotland. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

Audit of the 2015/16 financial statements

Audit opinion	<ul style="list-style-type: none">We have completed our audit of the Joint Committee and issued an unqualified independent auditor's report.
Going concern	<ul style="list-style-type: none">The financial statements of the Joint Committee have been prepared on the going concern basis.
Other information	<ul style="list-style-type: none">We review and report on other information published with the financial statements, including the management commentary and annual governance statement. We have nothing to report in respect of these statements.

Submission of financial statements for audit

10. We received the unaudited financial statements on 20 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and staff provided good support to the audit team which assisted the delivery of the audit to deadline.

Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan issued in February 2016.
12. 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 non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
13. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified during the course of the

audit and how we addressed each risk in arriving at our opinion on the financial statements.

14. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

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 decisions of users of 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. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
17. We summarised our approach to materiality in our Annual Audit Plan and updated our materiality calculations based on the unaudited financial statements. Based on our knowledge and understanding of the Joint Committee we set materiality for 2015/16 at £1,500 (1% of gross expenditure). We report all misstatements greater than £100. Performance materiality was calculated at £1,200, to reduce to an acceptable level the probability of

uncorrected and undetected audit differences exceeding our planning materiality level.

Evaluation of misstatements

18. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements.

Significant findings from the audit

19. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
20. We have no issues to raise with those charged with governance in accordance with ISA 260.

Future accounting and auditing developments

Code of Audit Practice

21. A new Code of Audit Practice will apply to all audits from financial year 2016/17. This will focus on four areas:
- Financial sustainability
 - Financial management
 - Governance and transparency
 - Value for money
22. In addition, as well as the annual audit report, other significant outputs such as the annual audit plan will be published on Audit Scotland's website.

Financial management and sustainability

Financial management

23. In this section we comment on the Joint Committee's financial outcomes and assess the financial management arrangements.
24. The Joint Committee sets an annual budget. The budget is funded by contributions from the 2 participating councils as well as a small amount of other income such as grant income for specific projects within the park.

Financial outcomes

25. The Joint Committee reported a deficit of £11,257 in 2015/16. The deficit was met out of reserves as planned. The 2015-16 budget projected a deficit of £12,307, therefore the actual outturn was a marginally lower deficit than expected.

Financial management arrangements

26. As auditors, we need to consider whether authorities have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the proper officer has sufficient status within the organisation to be able to deliver good financial management
 - financial regulations are comprehensive, current and promoted within the organisation

- 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.

27. The main financial management arrangements for the Joint Committee have been set down in the Minute of Agreement and based on our accumulated knowledge and our review of relevant papers, we can conclude that the Joint Committee has appropriate financial management arrangements in place

Financial sustainability

28. Financial sustainability means that the Joint Committee has the capacity to meet the current and future objectives.
29. In assessing financial sustainability we are concerned with whether:
 - there is an adequate level of reserves
 - spending is being balanced with income in the short term
 - long term financial pressures are understood and planned for

30. The overall level of usable reserves held by the Joint Committee decreased by £11,257 compared to the previous year and totalled £4,497.
31. Given the reported deficit in 2015/16 and the depletion of reserve balances, there are pressures on the financial sustainability of the Joint Committee
32. As officers planned for the committee to be dissolved by 31 March 2016 and the SLA to take effect from 1 April 2016, no budget was set for the Joint Committee for 2016/17. As expenditure has been incurred to date and the Joint Committee has not yet been dissolved, it would be expected that a budget would be formally approved and monitored throughout they year.

Outlook

33. The joint committee has agreed that it will be more efficient to operate the park through a Service Level Agreement (SLA) between Glasgow City Council (GCC) and East Renfrewshire Council (ERC) rather than the Joint Committee. The committee has therefore agreed the Joint Committee will be dissolved and replaced by the SLA.
34. ERC approved the decision to dissolve the Joint Committee at its December 2015 meeting but no formal process has been undertaken within GCC. A draft SLA has been prepared by ERC and this is being considered by officers from GCC and it is planned that this will be considered by the September meeting of the Joint Committee. It is important a clear process for the dissolution of the

Joint Committee is followed in accordance with the minute of agreement. Appropriate approval needs to be obtained by both councils. **Appendix III – Action Plan No. 1**

Governance and transparency

Corporate governance

35. Members and management of the Joint Committee are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
36. The Joint Committee comprises of Members from each of the contributing local authorities and is responsible for overseeing the work of the body and managing performance. Their work also encompasses monitoring and approving the systems of governance within the Joint Committee.
37. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' governance arrangements and overall we found the Joint Committee to have sound governance arrangements in place.

Local code of corporate governance

38. As the transactions of the Joint Committee are processed by both East Renfrewshire Council and Glasgow City Council, both councils are responsible for ensuring that its business is conducted in

accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Both councils have developed and adopted a local code of corporate governance which reflects the key components as set out in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

Internal control

39. In accordance with the Minute of Agreement the Joint Committee's financial transactions are processed through GCC and ERC's financial systems. As part of our audit of GCC and ERC 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 Joint Committee's financial statements.
40. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Arrangements for the prevention and detection of fraud

41. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.

42. The arrangements established for the prevention of fraud and irregularities have been considered as part of the audit of GCC and ERC. There are no matters that we wish to highlight, although it should be noted that no system can eliminate the risk of fraud entirely.

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

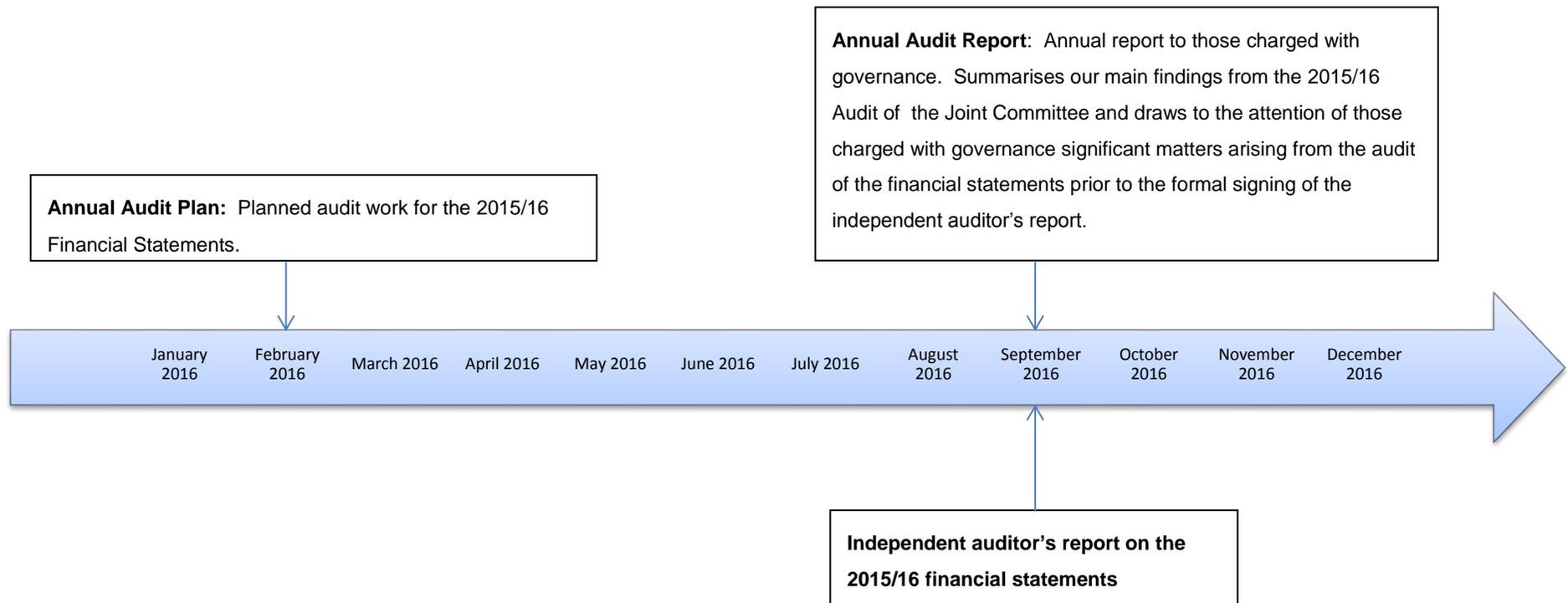
43. Audited bodies are responsible for ensuring that they have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether these arrangements are adequate. No issues have been identified by us for inclusion in this report.

Appendix I: Significant audit risks

The table below sets out the financial statement audit risks we identified during the course 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
<p>Management override of controls</p> <p>As is the case in all entities, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • We evaluated any significant transactions that were outside the normal course of business. • We tested journal entries as part of transaction testing 	<ul style="list-style-type: none"> • We reviewed transactions from throughout the year and did not identify any issues. • We reviewed journal entries and accounting estimates and did not identify any concerns
<p>Disbanding of Joint Committee</p> <p>The Joint Committee has agreed to the development of proposals to introduce a Service Level Agreement for the Country Park and in principle to the dissolution of the Country Park Joint Committee.</p>	<ul style="list-style-type: none"> • We considered the outcome of discussions on the future of the Joint Committee. 	<ul style="list-style-type: none"> • The SLA has yet to be agreed. See action point 1 for further detail.

Appendix II: Summary of Dams to Darnley Country Park Joint Committee local audit reports 2015/16



Appendix III: Action plan

No. AS ref.	Paragraph ref	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1. 77516	21/22	<p>Dissolution of the Joint Committee</p> <p>The Joint Committee has agreed that in the future it will be more efficient to operate the park through a Service Level Agreement (SLA) between Glasgow City Council (GCC) and East Renfrewshire Council (ERC). The committee has therefore agreed the Joint Committee will be dissolved and replaced by the SLA. ERC approved the decision to dissolve the Joint Committee at its December 2015 meeting. Formal approval has not yet been given by GCC.</p> <p>A draft SLA has been prepared and it is planned that this will be considered by the September 2016 meeting of the Joint Committee.</p> <p>Recommendation</p> <p>It is important a clear process for the dissolution of the joint committee is followed in accordance with the Minute of Agreement. Appropriate approval needs to be obtained by all parties.</p>	<p>The council will seek appropriate approval for the dissolution of the joint committee in line with the terms of the minute of agreement.</p>	<p>Director of Governance and Solicitor to the Council</p> <p>March 2017</p>