



Mugdock Country Park Joint Management Committee

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

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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/).

The Accounts Commission has appointed Peter Lindsay as the external auditor of Mugdock Country Park Joint Management Committee (the Park) for the period 2011/12 to 2015/16.

This report has been prepared for the use of Mugdock Country Park Joint Management 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.

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Key messages

Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements.

Financial management and sustainability

- The Park reported a net overspend against budget of £63,475 for 2015/16.
- Overspend noted against employee costs budget at year end of £39,429. Utilities also overspent by £18,766.
- Good financial management remains a priority to ensure the continued financial sustainability of the Park.

Governance and transparency

- The Park continues to utilise the financial systems of East Dunbartonshire Council.
- Improvements have been made to transparency with committee papers and minutes now publicly available on the Council website.
- No specific internal audit work was carried out on the transactions of the Park in 2015/16.

Outlook

- The outlook for public spending for the period 2016/17 onwards remains very challenging. The Park will continue to face financial constraints which may increase the pressure on them to deliver their statutory duties and meet established performance targets. The Park will again need to be prepared to face the challenging financial environment ahead, however the newly agreed Minute of Agreement brings increased stability to future funding.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of Mugdock Country Park Joint Management Committee (the Park). The report is divided into sections which reflect our public sector audit model.
2. The management of the Park 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 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 in May 2011 and the ethical standards issued by the Auditing Practices Park.
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 reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at [appendix II](#) and [appendix III](#), include recommendations for improvements.
6. [Appendix IV](#) 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 Park understands its risks and has arrangements in place to manage these risks. The Park and Joint Management Committee 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 Park will 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 Park and issued an unqualified independent auditor’s report.
Going concern	<ul style="list-style-type: none"> The financial statements of the have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the Park’s ability to continue as a going concern.
Other information	<ul style="list-style-type: none"> We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

Submission of financial statements for audit

10. We received the unaudited financial statements on 17 June 2016, in accordance with the agreed timetable. Working papers provided were of an adequate standard. East Dunbartonshire Council staff provided good support to the audit team and we completed our on-site fieldwork on 11 August 2016. The Park is required to follow the 2015/16 Code of Audit Practice and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Overview of the scope of the audit of the financial statements

- 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 to management on 22 February 2016.
- 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. Based on our knowledge and understanding of the Park we set our planning materiality for 2015/16 at £4,900 (1% of gross expenditure). We report all misstatements greater than £250. Performance materiality was calculated at £3,900, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
18. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that our original calculation remained appropriate.

Evaluation of misstatements

19. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements. There were no unadjusted errors.
20. A small 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. One significant financial error was identified and the financial statements changed; the effect of the adjustment was to decrease the year end receivables balance by £9,254, and decrease the temporary advance from East Dunbartonshire Council by the same amount.

Significant findings from the audit

21. 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.
22. The following paragraphs detail those issues or audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.

Internal Audit coverage

23. Internal Audit did not carry out any specific work on the Park's transactions during the year. Although reference is made to the work carried out by Internal Audit on East Dunbartonshire Council's systems within the Management Commentary, this does not guarantee that those transactions specific to the Park have received suitable coverage. It is not therefore possible to take specific assurance from this work.

Delays in issuing debtors invoices

24. Testing identified that there have again been significant delays in raising a number of debtor invoices at the Park. Failure to raise debtor invoices on a timely basis has contributed to a large receivables balance at the year end. As a result, there is a risk of under recovery of income. The Park should ensure that all debtor invoices are issued promptly.

Action Plan 1

Misposting of capital expenditure journal

25. Testing identified that there was a misposting relating to the Stirling Council capital expenditure contribution for the year. A review of the journal identified that the amount due had been accounted for within the Mugdock cost centre. As a result, this was included as part of the receivables balance disclosed on the Park's Balance Sheet. This accounting treatment was inaccurate. In accordance with the terms of the Minute of Agreement, all capital transactions relating to Mugdock should be accounted for by East Dunbartonshire Council. A large audit adjustment for £9,254 was therefore required. This indicates a potential weakness in control over journal entry processing and is consistent with findings included in the 2014/15 Annual Audit Report.

Future accounting and auditing developments

Code of Audit Practice

26. A new Code of Audit Practice will apply to all audits from financial year 2016/17. There will be a focus on four areas:
- Financial sustainability
 - Financial management
 - Governance and transparency; and
 - Value for money
27. 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

28. In this section we comment on the Park's financial outcomes and assess the financial management arrangements.
29. The Park sets an annual budget to meet its commitments for the forthcoming financial year. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

30. Overall, the Park reported a net overspend against budget of £63,475. This was due mainly to an overspend against the employee costs budget of £39,429 which was as a result of a backdated job evaluation appeal and delays in implementing the new organisation structure. An overspend of £18,766 was also noted against the utilities budget.
31. The Park's balance sheet as at 31 March 2016 reflects net assets of £0. However, this includes a temporary advance from East Dunbartonshire Council of £11,097 which reflects the net position of current assets and liabilities at the year end and represents a net cash inflow position.

32. Net revenue expenditure to be met by constituent authorities in 2015/16 was £402,717, an increase of £6,209 from the previous year.

Financial management arrangements

33. 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
 - 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.
34. 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.
35. Financial monitoring reports are submitted to the Joint Management Committee on a quarterly basis. However, although most variances are explained in terms of underlying service delivery, action is not

always taken to address areas of projected adverse variance throughout the year. There is a requirement for the service to work in conjunction with Finance officers to construct meaningful budgets that monitor current service delivery.

Action Plan 2

36. 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.

Conclusion on financial management

37. We have concluded that the Park's financial management arrangements are broadly satisfactory. However, there are some areas where improvements could be made to enhance existing arrangements. Whilst overall financial management is broadly satisfactory, there remains an issue with debtors invoices not always being raised and issued timeously. Action should be taken to ensure that debtors invoices are raised within an appropriate timescale.

Financial sustainability

38. Financial sustainability means that the Park has the capacity to meet the current and future needs of its users.
39. 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
- investment in services and assets is effective.

40. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

Financial planning

41. The Park set its 2016/17 budget in March 2016. The 2016/17 budget was set at £300,879 and reflects the update to the Minute of Agreement effective from 1 April 2016.

Outlook

42. It is recognised that over the medium term the funding position of local government bodies across Scotland is likely to involve a further period of contraction in available resources. With further funding reductions expected, local government bodies face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances.

Governance and transparency

43. Members and management of the Park 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. We concluded that the Park has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.
44. Citizens should be able to hold the Park to account about the services it provides. Transparency means that citizens have access to understandable, relevant and timely information about how the Park is taking decisions and how it is using its resources. Overall we concluded that the Park is open and transparent.

Internal control

45. 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 financial statements.
46. Financial transactions are processed through East Dunbartonshire Council's financial systems. The Annual Governance Statement for the year 2015/16, 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 Governance Statement concludes that the council has an adequate system of internal controls with a small number of weaknesses identified.

Internal audit

47. 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 2015/16 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

48. 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.

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

49. 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

50. When assessing transparency we consider if:
- Meetings are held in public.
 - Papers and corporate documents are available online and there is only limited use of taking papers in private.
 - Financial statements are clearly presented and budget monitoring papers are concise and clear.
51. Meetings of the Park's Joint Management Committee are held in public. Papers and minutes are now available from the East Dunbartonshire Council website.
52. The financial statements are clearly presented and reflect the budget monitoring papers presented to committee throughout the year. Improvements have been made in terms of the quality of variance analysis included as part of these monitoring reports. However, appropriate action is not always taken to address projected adverse variances. This is reflected in the year end overspend.

Best Value

53. 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.

Performance management

54. 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.
55. 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 2015/16 was calculated to be 631,335. This was an increase of 2,715 on the total recorded in 2014/15.

National performance audit reports

56. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which

are of direct interest to the local government sector. These are outlined in [appendix III](#).

Equalities

57. The Equality Act 2010 introduced a new public sector 'general duty' which encourages equality to be mainstreamed into public bodies' core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.
58. The Park follows the Equalities Policy in place at East Dunbartonshire Council. A report was published in April 2015 in accordance with the direction as set out in the Act.

Outlook

59. 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 their funds are projected to 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 I: Significant audit risks

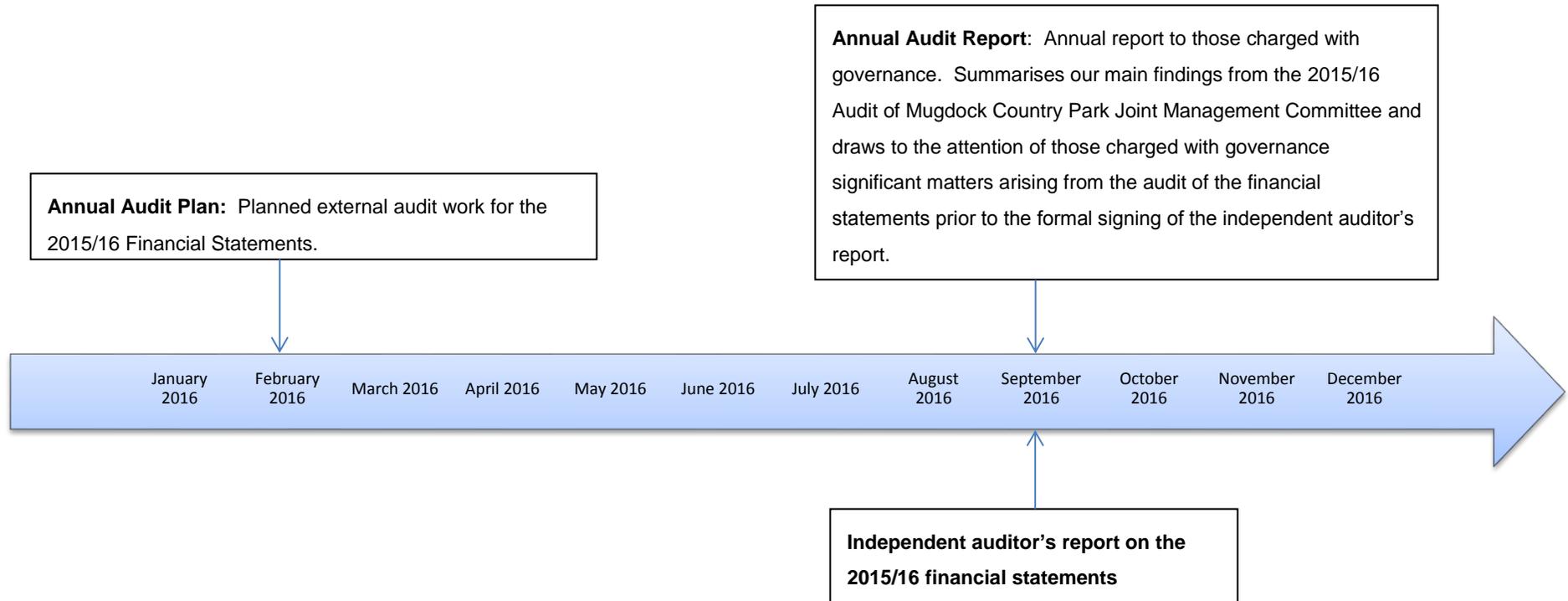
The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Risk of material misstatement due to fraud in revenue 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>ISA 240 presumes an inherent risk of fraud where income streams are significant.</p> <p>Risk</p> <p>The Park receives income in addition to Local Authority funding. The size and diversity of income streams flowing to the Park means that there is an inherent risk that income could be materially misstated.</p>	<ul style="list-style-type: none"> • Evaluation of accounting policies for income and expenditure • Detailed testing of journal entries • Review of accounting estimates • Analytical review of income streams to confirm completeness and identify any unusual transactions or variations in income. • Substantive testing of income transactions to confirm occurrence and accuracy of amounts in the financial statements. 	<p>No issues have arisen as part of our audit work that would indicate fraud in revenue recognition.</p>

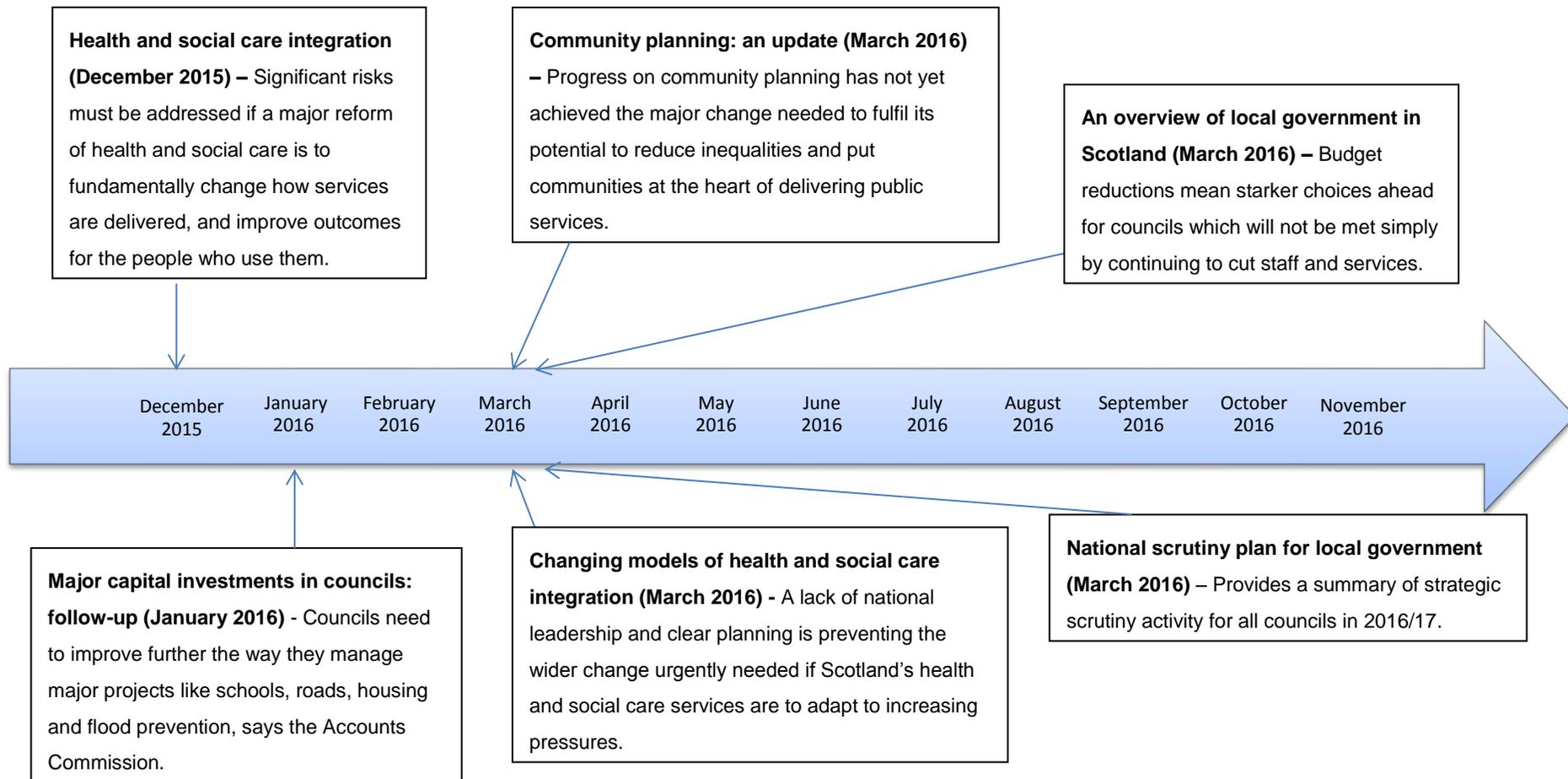
Audit Risk	Assurance procedure	Results and conclusions
<p>Risk of management override of control As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Risk Management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries • Review of accounting estimates • Evaluating significant transactions that are outside the normal course of business • Focused testing of accruals and prepayments. 	<p>No issues have arisen as part of our audit work that would indicate management override of controls affecting the outturn or year-end position.</p>
<p>Expiration of Minute of Agreement The most recent Minute of Agreement between East Dunbartonshire Council and Stirling Council expired on 31 March 2014. Although the agreement is currently under negotiation, there remains uncertainty over the management of the Park.</p> <p>Risk An agreement may not be reached by the year-end which may impact on the level of funding received by the Park from constituent authorities.</p>	<ul style="list-style-type: none"> • Monitor developments throughout the audit. • Engage in discussions with key officers. 	<p>A variation of the Minute of Agreement was signed by the constituent authorities on 9 February 2016 and became effective from 1 April 2016.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Post year-end invoices There is a risk that post year-end invoices may be incorrectly accounted for.</p> <p>Risk Income or expenditure may be understated in the Park's accounts.</p>	<ul style="list-style-type: none"> Carry out focussed cut off testing of invoices during financial statements work. 	<p>Cut off testing was carried out on post-year end invoices with satisfactory results.</p>
<p>Capacity of Finance Team There is a risk that the Park will fail to deliver unaudited financial statements and a comprehensive working paper package within agreed timescales.</p> <p>Risk The Park's accounts may not be audited by the required deadline.</p>	<ul style="list-style-type: none"> Meet with finance staff during the preparation of the financial statements and thereafter throughout the course of the audit. Issue a working paper checklist to finance staff outlining our requirements and agree timescales for the receipt of unaudited accounts and working papers. 	<p>The Park's draft 2015/16 accounts were passed to the audit team within agreed timescales on 17 June 2016 and accompanied by a working paper package. Audit work was completed in advance of the required deadline.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p>Financial position The most recent budget monitoring report shows that the Park is forecasting an adverse variance at year-end.</p> <p>Risk There is a risk that a balanced budget will not be achieved and additional contributions will be required from constituent 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 at year end. 	<p>The net cost of service for 2015/16 was higher than budget by £63,475. However, it was noted that this variance was as a result of one-off costs such as an increase in employee expenditure following a backdated job evaluation appeal. Net additional costs were met by East Dunbartonshire Council.</p>

Appendix II: Summary of local audit reports 2015/16



Appendix III: Summary of Audit Scotland national reports 2015/16



Appendix IV: Action plan

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1	24	<p>Delays in issuing debtors invoices</p> <p>Significant delays have been noted in the raising of debtor invoices at the Park. This has contributed to a high receivables balance at the year end. Failure to raise invoices timeously may lead to the under recovery of income.</p> <p>Recommendation</p> <p>The Park should ensure that all debtor invoices are issued in a timely manner. This will improve the robustness of income collection procedures.</p>	<p>Procedures are being implemented to ensure delays are minimised. This will be monitored throughout the year.</p>	<p>M Coulshed Oct 2016</p>

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2	35	<p>Action taken to address adverse variances</p> <p>From a review of the quarterly financial monitoring reports presented to the Joint Management Committee, it was identified that action is not always taken to address areas of projected adverse variance throughout the year. There is a risk that significant overspends may continue if budget monitoring arrangements are not improved.</p> <p>Recommendation</p> <p>Budget variances should be analysed in detail to allow appropriate action to be taken to address areas of projected adverse variance.</p>	This will be reviewed and adverse variance addressed.	M Coulshed, Dec 2016