

Clyde Muirshiel Park Authority

Annual Audit Plan 2016/17



 AUDIT SCOTLAND

Prepared for Clyde Muirshiel Park Authority

February 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Risks and planned work	4
Audit risks	4
Reporting arrangements	6
Audit fee	6
Responsibilities	6
Audit scope and timing	7
Financial statements	7
Internal audit	9
Audit dimensions	9
Independence and objectivity	10
Quality control	11

Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit including the new approach to Best Value. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with staff and a review of supporting information we have identified the following main risk areas for Clyde Muirshiel Park Authority (CMPA). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
<p>1 Management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</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>2 Risk of fraud over income and expenditure</p> <p>CMPA has a number of funding sources which includes income generation. The extent of income means that, in accordance with ISA 240, there is an inherent risk of fraud that requires an audit response. Income generation also results in cash which presents an increased risk of fraud.</p> <p>The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of</p>	<p>Income and expenditure is closely monitored through the budget monitoring process.</p> <p>Significant differences from actual income and expenditure when compared to budget, expected trends and projected expenditure are investigated.</p>	<p>Analytical procedures on income streams and expenditure.</p> <p>Detailed testing of revenue and expenditure transactions focusing on the areas of greatest risk.</p>

Audit Risk	Management assurance	Planned audit work
expenditure.		
<p>3 Revised format of financial statements</p> <p>The 2016/17 Code of Practice on Local Authority Accounting (the Code) makes changes to the structure of the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS). This will require the restatement of prior year comparatives and presents a risk of misstatement in the financial statements.</p>	<p>Finance staff will ensure they are aware of the revised requirements through examination of the revised Code, attendance at CIPFA FAN events and reviewing of the Audit Scotland Technical Bulletin, and will prepare the financial statements accordingly.</p>	<p>Review of structure of CIES and MIRS.</p> <p>Detailed analysis of account code mapping for CIES.</p> <p>Review of prior year comparatives and restatements</p>
<p>4 New expenditure and funding analysis</p> <p>The Code sets out a new requirement for an expenditure and funding analysis. This will provide a reconciliation of the statutory adjustments between CMPA's financial performance on a funding basis and the surplus or deficit on the provision of services in the CIES. This presents an increased risk of misstatement as the analysis may not be in line with the requirements of the Code. There is also an increased risk of inconsistencies between the analysis and the financial statements.</p>	<p>Finance staff will ensure they are aware of the revised requirements through examination of the revised Code, attendance at CIPFA FAN events and reviewing of the Audit Scotland Technical Bulletin, and will prepare the financial statements accordingly.</p>	<p>Detailed testing of expenditure and funding analysis.</p> <p>Review of prior year comparatives and restatements.</p> <p>Review of consistency between expenditure and funding analysis and information contained elsewhere within the annual accounts.</p>
<p>5 Changes to governance disclosures</p> <p>The Code makes changes to the requirements of the governance statement. This will require additional information to be disclosed to ensure all requirements of the Code are met. This presents a risk that the governance disclosures may not be complete.</p>	<p>Finance staff will ensure they are aware of the revised requirements through examination of the revised Code, attendance at CIPFA FAN events and reviewing of the Audit Scotland Technical Bulletin, and will prepare the financial statements accordingly.</p> <p>Coordinate with Internal Audit to agree on work required to prepare annual governance statement.</p>	<p>Review of governance statement content.</p> <p>Testing of governance disclosures.</p>
Wider dimension risks		
<p>6 Financial sustainability</p> <p>Financial reports to members highlight uncertainties around future funding and increased pressure on available resources. It is likely future savings will need to be made to achieve a</p>	<p>The Park Authority, with support from the Treasurer and the Lead Authority, will continue review the Park's activities to identify opportunities for rationalisation and improvement in order to</p>	<p>Review of budget monitoring reports during the year and comment on the financial position within the annual audit report.</p>

Audit Risk	Management assurance	Planned audit work
breakeven position and maintain reserves at an appropriate level.	generate savings and additional income or to identify other funding streams. This will build on the Management Structure & Governance review reported in February 2015.	

Reporting arrangements

3. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

4. 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 officer(s) to confirm factual accuracy.

5. We will provide an independent auditor's report to the Joint Committee and Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Joint Committee and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Joint Committee Date
Annual Audit Report including ISA 260 requirements	1 September 2017	1 September 2017
Signed Independent Auditor's Report	1 September 2017	N/A

Audit fee

6. The proposed audit fee for the 2016/17 audit of CMPA is £1,727. In determining the audit fee we have taken account of the risk exposure of CMPA, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 3 July 2017.

7. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements 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 outwith our planned audit activity.

Responsibilities

Joint Committee and Accountable Officer

8. Audited bodies 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 successfully deliver their objectives.

9. The audit of the financial statements does not relieve management or Joint Committee, as those charged with governance, of their responsibilities.

Appointed auditor

10. Our responsibilities as independent auditor are established by the 1973 Act for local government and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

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

Audit scope and timing

Financial statements

12. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of CMPA and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how CMPA will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

13. We will give an opinion on the financial statements as to

- whether they give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of CMPA as at 31 March 2017 and of the income and expenditure of CMPA for the year then ended;
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for CMPA are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of projected gross expenditure for the year ended 31 March 2017 based on the budget for 2016/17.	£11,000
Performance materiality - 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 calculated performance materiality at 50% of planning materiality.	£5,000
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£1,000

15. We review and report on other information published with the financial statements including the management commentary, governance statement and the remuneration report. Any issue identified will be reported to the Joint Committee.

Timetable

16. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Joint Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	23 June 2017
Latest submission date of CMPA's unaudited financial statements with complete working papers package	3 July 2017
Latest date for final clearance meeting with Treasurer/officers	11 August 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	1 September 2017
Independent auditor's report signed	1 September 2017

Internal audit

17. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by the Internal Audit section of Renfrewshire Council.

Adequacy of Internal Audit

18. A review of the internal audit function at Renfrewshire Council will be carried out by the Renfrewshire Council audit team in early 2017. This will provide assurance over whether the internal audit function operates in accordance with Public Sector Internal Audit Standards (PSIAS) and had sound documentation and reporting procedures in place.

Audit dimensions

19. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



20. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

Financial sustainability

21. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

Financial management

22. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether CMPA has arrangements in place to ensure systems of internal control are operating effectively
- whether CMPA can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how CMPA has assured itself that its financial capacity and skills are appropriate
- whether CMPA has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

23. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether CMPA can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

24. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- CMPA can provide evidence that it is demonstrating value for money in the use of its resources
- CMPA can demonstrate that there is a clear link between money spent, output and outcomes delivered
- CMPA can demonstrate that outcomes are improving
- there is sufficient focus on improvement and the pace of it.

Independence and objectivity

25. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. 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 in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

26. The engagement lead for CMPA is Mark Ferris, Senior Audit Manager. Auditing and ethical standards require the appointed auditor, Mark Ferris, 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 CMPA.

Quality control

27. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is 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.

28. 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 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, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

29. 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.

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