

# Clyde Muirshiel Park Authority Joint Committee

2016/17 Annual Audit Report



 AUDIT SCOTLAND

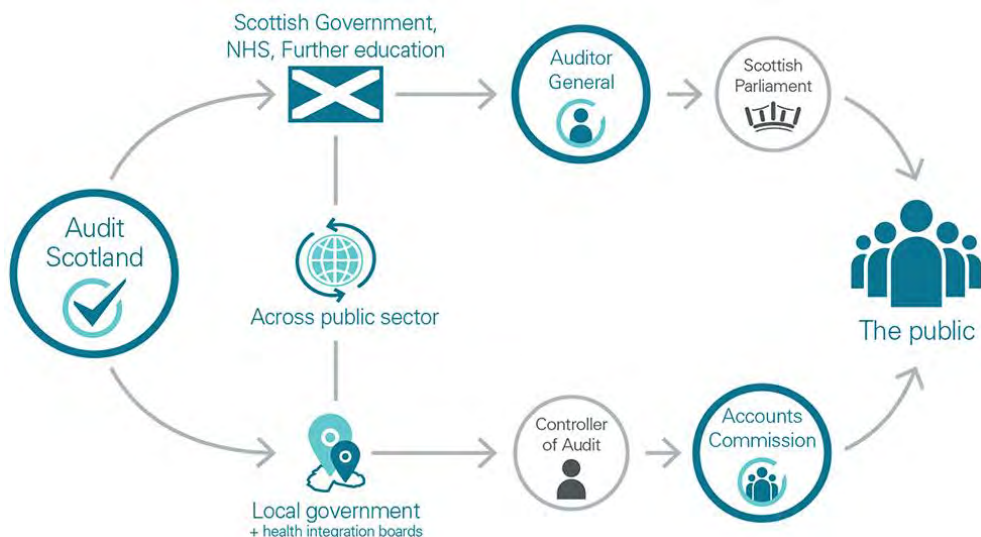
To Members of the Clyde Muirshiel Park Authority Joint Committee and the Controller of Audit

4 September 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.

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# Key messages

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## Audit of the 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.
- 2 One minor misstatement was identified and this was adjusted by management.

## Financial management

- 3 Outturn during the year was positive compared to budget and a surplus of £0.014 million was generated.
- 4 The Joint Committee has delivered services within budget in recent years which has resulted in an increase in reserves.
- 5 Voluntary exits and redundancies were planned to manage the reduction in requisition income in 2016/17.

## Financial sustainability

- 6 The Joint Committee's financial position has been managed by generating savings through administration and overhead cost reductions and the use of voluntary exits and redundancies.
- 7 The level of useable reserves has increased since 2014/15 to £0.081 million as at 31 March 2017.

## Governance and transparency

- 8 The Joint Committee has appropriate governance arrangements in place to support the scrutiny of decision making. However, a number of policies and procedures require to be reviewed and updated.
- 9 Internal audit reports are only reviewed by management and are not shared with members of the Joint Committee.
- 10 There is currently no risk register or formal risk management plan in place.

## Value for money

- 11 Performance information is reported at each Joint Committee meeting and an Annual Report is produced each year.

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# Introduction

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1. This report is a summary of the findings arising from the 2016/17 audit of Clyde Muirshiel Park Authority Joint Committee (CMPAJC).
2. The scope of the audit was set out in our Annual Audit Plan presented to the February 2017 meeting of the Joint Committee. This report comprises:
  - an audit of the annual report and accounts
  - consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1 \(page 5\)](#).

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## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

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3. The main elements of our audit work in 2016/17 have been:
  - an interim audit of Renfrewshire Council's main financial systems and governance arrangements which are used by CMPAJC
  - an audit of CMPAJC's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.
4. CMPAJC is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.
6. As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within CMPAJC to manage its performance and use of resources such as money, staff and assets. Additionally, we consider CMPAJC's best value arrangements. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
8. This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
9. Our Annual Audit Report contains an action plan at [Appendix 1 \(page 21\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the Joint Committee and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
12. We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

# Part 1

## Audit of 2016/17 annual report and accounts



### Main judgements

**Unqualified audit opinions on CMPAJC's annual report and accounts.**

**One minor misstatement was identified and this was adjusted by management.**

### Unqualified audit opinions

- 13.** The annual report and accounts for the year ended 31 March 2017 were approved by the Joint Committee on 1 September 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
  - unqualified opinions on the management commentary, remuneration report and annual governance statement.
- 14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The Joint Committee's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

### Submission of CMPAJC's annual report and accounts for audit

- 15.** We received the unaudited annual report and accounts on 8 June, in line with the audit timetable set out in our 2016/17 Annual Audit Plan.
- 16.** The working papers provided with the unaudited report and accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

### Risk of material misstatement

- 17.** [Appendix 2 \(page 23\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and our conclusions.

### Materiality

- 18.** Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.
- 19.** Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit](#)

[2 \(page 8\)](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

## Exhibit 2

### Materiality values

Materiality level	Amount
<b>Overall materiality</b> – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1 per cent of gross expenditure for the year ended 31 March 2017.	£11,300
<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 calculated performance materiality at 75 per cent of overall materiality.	£5,600
<b>Reporting threshold (i.e. clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£1,000

Source: Audit Scotland

### How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. There was one error of £2,321 identified which was above the reporting threshold and was adjusted in the audited annual report and accounts. The impact of this adjustment was to increase expenditure and accruals by this amount.
22. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. All errors identified were adjusted by management.

### Significant findings

23. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3 \(page 9\)](#).



## Exhibit 3

### Significant findings from the audit of CMPAJC

Issue	Resolution
<p><b>1. Accruals</b></p> <p>As part of audit work an expenditure transaction relating to 2016/17 was identified which had not been accrued in the annual report and accounts. As a result, expenditure and accruals were understated by £2,321.</p>	<p>Management agreed to adjust for this error and expenditure and accruals both increased by £2,321.</p>

### Going concern

- 24.** The financial statements of CMPAJC have been prepared on the going concern basis. No issues were identified with the assessment on going concern.

### Other findings

- 25.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

### Objections

- 26.** The Local Authority Accounts (Scotland) Regulations 2014 require a local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. CMPAJC complied with the regulations.

# Part 2

## Financial management



### Main judgements

**Outturn during the year was positive compared to budget and a surplus of £0.014 million was generated.**

**CMPAJC has delivered services within budget in recent years which has resulted in an increase in reserves.**

**Voluntary exits and redundancies were planned to manage the reduction in requisition income in 2016/17.**

### Financial performance in 2016/17

27. In February 2016 CMPAJC approved its budget for 2016/17. Total budget expenditure and total budget income was £1.060 million resulting in a breakeven budgeted position.
28. Actual outturn for the year was total expenditure of £1.070 million and total income of £1.084 million. This resulted in a surplus of £0.014 million for the year compared to a budgeted breakeven position.
29. The largest source of income was requisitions from members of the Joint Committees. This was £0.693 million in 2016/17, a reduction of £0.115 million from 2015/16 (£0.808 million), adding to the pressures on resources. Despite the budget pressures, the budget was aligned to CMPAJC's statutory objectives to ensure services were delivered.
30. Details of significant variances are summarised in [Exhibit 4 \(page 11\)](#). In recent years CMPAJC has delivered services within budget and outturn has been positive compared to budget forecasts which has resulted in an increase in reserves.
31. The surplus of £0.014 million reported in the Management Commentary is different to the deficit of £0.054 million reported in the Comprehensive Income and Expenditure Statement (CIES). This is due to accounting adjustments required for pension costs and the employee leave accrual. As the budget is prepared and monitored in this way, it is appropriate for it to be detailed in the Management Commentary in this way.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

## Exhibit 4

### Summary of significant over and under spends/recovery against budget

Area	Under/over spend/recovery (£)	Reason(s) for variance
<b>Underspends/over recovery</b>		
Administration Costs	£12,545	Due to lower than expected insurance premiums.
Other Income	£35,276	Due to additional grants and funding for project income.
<b>Overspends/under recovery</b>		
Supplies and Services	£25,005	Due to increased expenditure on various projects which is in line with an increase in other income.
Sales, Fees and Charges	£23,995	Due to decreased levels of income generated from activities delivered by CMPAJC.

Source: CMPAJC annual report and accounts 2016/17

## Efficiency savings

32. With reduced requisition funding from the members of the Joint Committee and continued pressures to deliver services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.
33. Savings have been achieved in past years through reductions in administration and overhead costs and through the use of voluntary exits and redundancies. The majority of savings required to manage the reduction in 2016/17 requisition income were achieved through 4 members of staff accepting voluntary exits or redundancies.
34. Discussions with management identified staff numbers were reaching minimal levels. Therefore, under the current service structure savings through voluntary exits or redundancies may not be possible in future years without adversely impacting on service delivery. CMPAJC has made use of volunteers to assist in service delivery and this can help reduce the impact of staff reductions. However, the use of volunteers is not a sustainable approach to manage staffing issues and in future savings may need to be achieved from other sources.

## Budgetary monitoring and control

35. The [Local Government in Scotland: Financial overview 2015/16](#) (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for local government bodies with decreasing (or low levels) of usable reserves to rely on. An analysis of reserves can be seen in Part 3 of the report.
36. We noted that CMPAJC's budget is aligned to its statutory objectives. Budgets are approved by the Joint Committee and budget monitoring updates are

provided at each meeting of the Joint Committee. The budget monitoring updates provide details on variances against the budget and forecast year-end positions. This allows members and officers to take actions to address variances and address forecast over and under spends.

## Internal controls

- 37.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that CMPAJC has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
- 38.** The systems in place at CMPAJC are hosted by Renfrewshire Council and were assessed as part of the Renfrewshire Council audit. As part of the Renfrewshire Council audit we concluded that the key controls were operating effectively, although there were areas where improvements could be made. Overall, no significant control weaknesses were identified which could affect the Council's, and by extension CMPAJC's, ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

## Prevention and detection of fraud

- 39.** We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed CMPAJC's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, and fraud prevention.
- 40.** Based on the evidence reviewed by us, we concluded that the CMPAJC has adequate arrangements in place for the prevention and detection of fraud.

## National Fraud Initiative

- 41.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error.
- 42.** CMPAJC does not participate in the NFI exercise. This was reported within the Action Plan in the 2015/16 Annual Audit Report. Due to the nature of operations the majority of expenditure incurred relates to staff costs and the majority of income received is from requisitions. These are low risk areas as requisition income is agreed by the members of the Joint Committee and the payroll system is hosted and operated by Renfrewshire Council. This separates and minimises control and opportunities for fraud.
- 43.** Renfrewshire Council participates in the NFI exercise and if any frauds are identified the improvements to systems would also impact on CMPAJC due to the use of Renfrewshire Council's financial systems.
- 44.** While we recognise the reasons why CMPAJC does not currently participate in the NFI exercise, we would recommend CMPAJC and Renfrewshire Council discuss the possibility to participate in the NFI exercise in future.

# Part 3

## Financial sustainability



### Main judgements

**The Joint Committee's financial position has been managed by generating savings through administration and overhead cost reductions and the use of voluntary exits and redundancies.**

**The level of useable reserves has increased since 2014/15 to £0.081 million as at 31 March 2017.**

### Financial planning

45. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to CMPAJC's strategies. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on CMPAJC.
46. CMPAJC's budgets are prepared on an annual basis and do not include longer term strategies. The Accounts Commission recommended that when future Scottish Government funding is not known, bodies should plan for a range of scenarios so they are prepared for different levels of funding and income.
47. This was recommended in the 2015/16 Annual Audit Report. A review of committee minutes identified that medium term financial planning or scenario planning is not carried out. There is a risk members do not have sufficient information to inform decision making.

**Appendix 1, Action Plan, point 1**

### Funding position

48. The Joint Committee approved its 2017/18 budget in February 2017 with proposed total expenditure of £1.079 million and total income of £1.079 million which results in a breakeven position. Requisition income has remained the same as 2015/16 at £0.693 million.
49. Due to uncertainties in local government funding in coming years there is a possibility that requisition income may reduce leading to budget pressures and CMPAJC may need to become more reliant on other sources of income.

### Savings plans

50. A review of CMPAJC's budget information and revenue estimates for 2017/18 highlight that the funding settlement for 2018/19 and beyond is uncertain. It is recognised that over the medium term the funding position of local government across Scotland is likely to involve a further period of contraction. The Joint

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

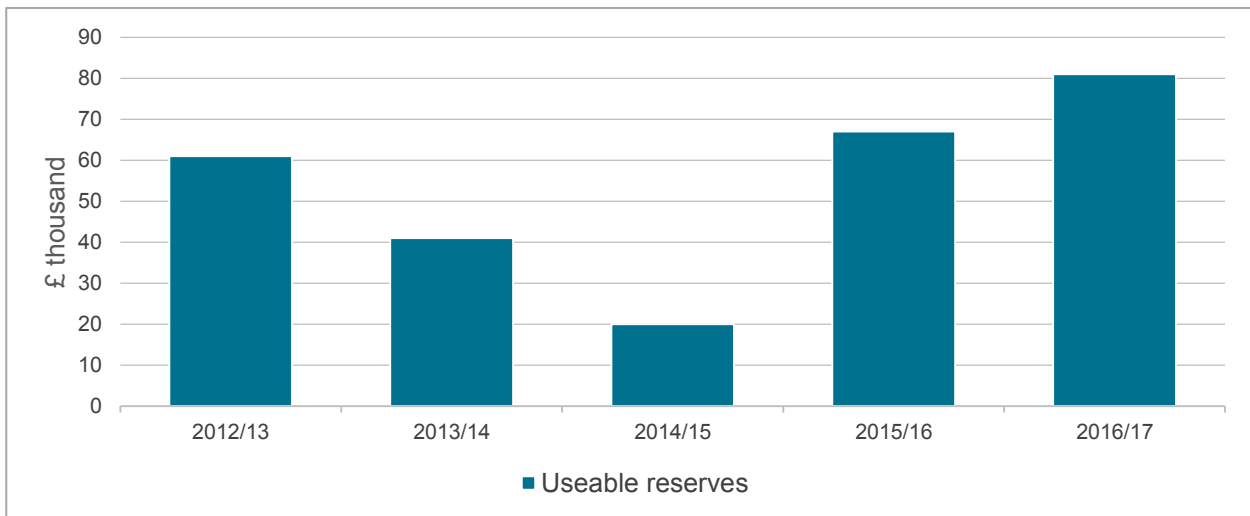
Committee and management recognise the need to seek further efficiencies and will also look to develop opportunities to increase generated income in future years.

## Reserves

- 51.** Like all Joint Committees, CMPAJC has no specific powers to retain reserves to meet future requirements and technically the amounts held are due to local authorities. These balances are used to support medium-term financial planning and address any unforeseen costs.
- 52.** In 2016/17 the overall level of useable reserves held by CMPAJC increased by £0.014 million (21 per cent). The closing balance of £0.081 million is 8 per cent of 2016/17 budgeted expenditure. Officers have assessed this as being a prudent level to protect against unforeseen costs.
- 53.** [Exhibit 5 \(page 14\)](#) provides an analysis of useable reserves over the last five years. The usable reserves / balances due to member authorities' have increased since 2014/15. The level of reserves is reviewed as part of the budget monitoring report which is reported at every committee meeting. It is recommended that the balance held in reserves continues to be reviewed to ensure there are sufficient funds to address ongoing demand on services.

## Exhibit 5

### Analysis of useable reserves over last five years



Source: CMPAJC annual accounts and report 2012/13 – 2016/17

## Workforce planning

- 54.** Audit Scotland's [Local government in Scotland – performance and challenges 2017](#) report highlighted the need to plan and manage reductions to workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.
- 55.** The report advises local government bodies to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans.
- 56.** As noted at paragraph 34 above, staff numbers are reaching minimal levels and there is a risk that further staff reductions to achieve savings could impact

on service delivery. Volunteers are used to help deliver services but long term reliance on volunteers is not sustainable.

# Part 4

## Governance and transparency



### Main Judgements

**The Joint Committee has appropriate governance arrangements in place to support the scrutiny of decision making. However, a number of policies and procedures require to be reviewed and updated.**

**Internal audit reports are only reviewed by management and are not shared with members of the Joint Committee. There is a risk that members are not fully aware of weaknesses identified in systems and processes.**

**There is currently no risk register or formal risk management plan in place. This increases the possibility that risks are not appropriately identified and managed.**

### Governance arrangements

- 57.** Members and management of CMPAJC 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 CMPAJC has effective governance arrangements which provide an appropriate framework for organisational decision-making.
- 58.** Citizens should be able to hold CMPAJC to account about the services it provides. Transparency means that citizens have access to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources. Overall we concluded that CMPAJC is open and transparent although there are some areas where practices could be improved.
- 59.** As part of audit work we reviewed various governance policies and procedures (e.g. scheme of delegation, contract standing orders, etc.) and found a number of these had not been updated for a number of years. There is a risk that policies and procedures are not adequate to ensure effective governance of CMPAJC's functions. In addition, there is a possibility that members of the Joint Committee and CMPAJC staff are not aware of the processes and procedures in place which could increase the risk of governance failures (e.g. fraud).

Appendix 1, Action Plan, point 2

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.

### Management commentary, annual governance statement and remuneration report

- 60.** The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires Joint Committees to prepare and publish, along with their



financial statements, a management commentary, an annual governance statement and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

61. Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

### Internal audit

62. Internal audit provides senior management and elected members with independent assurance on CMPAJC's overall risk management, internal control and corporate governance processes.
63. The internal audit function is carried out by Renfrewshire Council's internal audit team. We carried out a review of the adequacy of Renfrewshire Council's internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS). However, there were areas where we identified recommendations for improvement.
64. To avoid duplication, we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, we did review audit reports that were relevant to our work to help with our understanding of the systems and processes in place, but these will not be used to support our opinion on the annual report and accounts.
65. During the year internal audit carried out a review of governance arrangements. Discussions with internal audit identified the work done has yet to be finalised due to outstanding management responses. The Internal Audit Annual Report presented to the Joint Committee in June 2017 did not clearly highlight this and members of the Joint Committee may be unaware that management responses remain outstanding.
66. From a review of committee minutes and discussions with internal audit it was identified that internal audit reports are not provided to members of the Joint Committee. The only information members receive on the work of internal audit is in the Internal Audit Annual Report. As a result members are considering the opinions given in the Internal Audit Annual Report without being given the opportunity to consider the reports used to form the conclusions.

**Appendix 1, Action Plan, point 3**

### Risk management

67. The 2015/16 Annual Audit Report Action Plan made a recommendation that CMPAJC review its risk management arrangements and implement a risk register. As part of audit work we identified that a review of risk management arrangements had not yet taken place and there is no risk register or formal risk management plan in place. This increases the possibility that members of the Joint Committee and management are not aware of all the risks affecting CMPAJC and these risks are not appropriately identified and managed.

**Appendix 1, Action Plan, point 4**

### Transparency

68. Transparency means that the public, in particular local residents have access to understandable, relevant and timely information about how CMPAJC is

taking decisions and how it is using resources such as money, people and assets.

- 69.** There is evidence from a number of sources which demonstrate CMPAJC's commitment to transparency. Members of the public can attend Joint Committee meetings and minutes of the meetings and supporting papers are readily available through CMPAJC's website.
- 70.** The Joint Committee's website allows the public to access a wide range of information on corporate policies, targets and performance.
- 71.** The Joint Committee makes its annual accounts available on its website. These include a management commentary which provides details of performance against budget, information on the use of reserves and risks and uncertainties facing the Joint Committee.
- 72.** Overall, we concluded that the Joint Committee conducts its business in an open and transparent manner.

## **Equalities**

- 73.** The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their 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.
- 74.** Under the terms of the Act and supporting legislation, CMPAJC does not have a requirement to fulfil this duty. However, Renfrewshire Council, as lead authority for CMPAJC, is required to fulfil this duty. Therefore, the work done and reports published by Renfrewshire Council will include CMPAJC as CMPAJC is covered by Renfrewshire Council's policies.

# Part 5

## Value for money



### Main judgements

Performance information is reported at each Joint Committee meeting and an Annual Report is produced each year.

#### Best Value

- 75.** Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. CMPAJC 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.
- 76.** The Park Strategy 2016–2021 was approved by the Joint Committee in September 2016. The strategy sets out the priorities and objectives of CMPAJC over the 5 year period and includes an action plan on actions to be delivered and timescales for delivery.
- 77.** However, there are no targets or milestones incorporated in the strategy or action plan and as a result performance cannot be measured. The 2015/16 Annual Audit Report Action Plan recommended targets be put in place with a target date of December 2016. From a review of committee minutes and discussions with officers this has still not occurred.

Appendix 1, Action Plan, point 5

#### Following the public pound

- 78.** Local government bodies have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.
- 79.** The Joint Committee's financial regulations state that it will continuously strive to secure best value for money and economy, efficiency and effectiveness in their use of resources.

#### Performance management

- 80.** Information on health and safety statistics and employee absence is reported at every committee meeting. An Annual Report is also reported to the committee each year detailing the performance of CMPAJC. The report outlines information on visitor numbers, events run during the year, campsite bookings, and number of education visits. The 2016/17 Annual Report is due to be reported at the September 2017 committee meeting.

Value for money is concerned with using resources effectively and continually improving services.




## National performance audit reports

- 81.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Joint Committee. These are outlined in [Appendix 3 \(page 25\)](#).
- 82.** The Head of Planning and Housing Services at Renfrewshire Council and the Treasurer disseminate any Audit Scotland national reports relevant to CMPAJC to the Park Manager. Any risks or issues identified are then shared with the Joint Committee by the Park Manager.

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

Page no.	 Issue/risk	 Recommendation	 Agreed management action/responsible officer/timing
13 para 47	<b>1. Medium term financial planning</b> A review of committee papers and minutes identified no medium or longer term financial planning is carried out and no scenario planning on savings is carried out either. As a result there is a risk members have insufficient information to make informed decisions.	It is recommended scenario planning is carried out to highlight the impact of possible developments to members.	Scenario planning will be built into the estimates process. Head of Finance 31 March 2018
16 para 59	<b>2. Governance policies and procedures</b> A review of governance policies and procedures was carried out and a number of polices require to be updated. These include the: <ul style="list-style-type: none"> <li>• scheme of delegation</li> <li>• contract standing orders</li> <li>• financial regulations and financial codes</li> <li>• minute of agreement</li> </ul> Without up to date policies and procedures there is a risk that functions are not delivered effectively and failures in governance could occur.	It is recommended that these policies and procedures are reviewed and updated to reflect the current situation of CMPAJC.	The following will be reviewed and updated as appropriate: <ul style="list-style-type: none"> <li>• scheme of delegation</li> <li>• contract standing orders</li> <li>• financial regulations and financial codes</li> <li>• minute of agreement</li> </ul> Regional Park Manager 31 March 2018
17 para 66	<b>3. Internal Audit reporting</b> A review of minutes and discussions with internal audit identified that internal audit reports are not provided to members of the	It is recommended that management take internal audit reports to meeting of the Joint Committee meetings to allow members to understand the findings of	Internal audit reports will now be taken to meetings of the Joint Committee. Regional Park Manager 31 March 2018



**Page  
no.**

**Issue/risk**

**Recommendation**

**Agreed management  
action/responsible  
officer/timing**

Joint Committee. As a result there is a risk that members are not aware of any weaknesses that have been identified and may not be able to make informed decisions. Furthermore, the 2016/17 Internal Audit Annual Report did not clearly explain management responses were outstanding for the work performed by internal audit.

the work carried out.

**17  
para 67**

**4. Risk management**

A review of committee minutes and discussions with officers identified there is no risk register or formal risk management plan in place. This raises the possibility that risk are not identified and managed effectively.

It is recommended that risk management arrangements are reviewed and a risk register and formal risk management plan is implemented.

The Risk Management Plan will be presented at the next Joint Committee meeting.  
Regional Park Manager  
1 September 2017

**19  
para 77**

**5. Park Strategy**

The Park Strategy does not include any targets or milestones. This raises the risk that performance cannot be effectively measured and successful delivery of the strategy cannot be determined.

It is recommended that targets or milestones be created for the Park Strategy objectives.

An update on the Park Strategy will be given at the next Joint Committee meeting.  
Regional Park Manager  
1 September 2017

# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Management override of controls</b></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>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Our audit procedures did not uncover evidence of management override of controls.</p> <p>An error was identified as part of cut-off testing which has been amended in the financial statements.</p>
<p><b>2 Risk of fraud over income and expenditure</b></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 expenditure.</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>	<p>Our audit procedures did not uncover any evidence of fraud over income or expenditure.</p>
<p><b>3 Revised format of financial statements</b></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</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>Our audit procedures did not identify any errors in the structure of the CIES or MIRS and all account codes had been mapped across correctly.</p>





















Audit risk	Assurance procedure	Results and conclusions
in the financial statements.		
<p><b>4 New expenditure and funding analysis</b></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 CMPAJC'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>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>Our audit procedures did not identify any errors within the Expenditure Funding Analysis statement and all information was consistent with information contained elsewhere within the annual accounts.</p>
<p><b>5 Changes to governance disclosures</b></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>Review of governance statement content.</p> <p>Testing of governance disclosures.</p>	<p>Our audit procedures did not identify any errors with the governance statement and all disclosures required had been included.</p>
<p><b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b></p>		
<p><b>6 Financial sustainability</b></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 breakeven position and maintain reserves at an appropriate level.</p>	<p>Review of budget monitoring reports during the year and comment on the financial position within the Annual Audit Report.</p>	<p>A review of budget monitoring reports and the financial statements highlight that a surplus was generated in 2016/17 which increased usable reserves. The 2017/18 budget forecasts a breakeven position with no planned use of reserves. However, due to likely contractions in medium term local government CMPAJC may need to identify further efficiency savings and develop opportunities for generated income in future.</p>



# Appendix 3

## Summary of national performance reports 2016/17



Apr			
May	 Common Agricultural Policy Futures programme: an update		
Jun	 South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland	
Jul	 Audit of higher education in Scottish universities	 Supporting Scotland's economic growth	
Aug	 Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update	 Scotland's colleges 2016
Sept	 Social work in Scotland	 Scotland's new financial powers	
Oct	 Angus Council: Best Value audit report	 NHS in Scotland 2016	
Nov	 How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16	
Dec	 Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report	
Jan			
Feb	 Scotland's NHS workforce		
Mar	 Local government in Scotland: Performance and challenges 2017	 i6: a review	 Managing new financial powers: an update

### Local government relevant reports

[The National Fraud Initiative in Scotland - June 2016](#)

[How councils work - Roles and working relationships in councils - November 2016](#)

[Local government in Scotland: Financial overview 2015/16 - November 2017](#)

[Local government in Scotland: Performance and challenges 2017 - March 2017](#)

# Clyde Muirshiel Park Authority Joint Committee

## 2016/17 Annual Audit Report

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