

# Clyde Muirshiel Park Authority

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Infrastructure, Land and Environment Policy Board and the Controller  
of Audit

August 2021

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# Key messages

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## **2020/21 annual report and accounts**

Clyde Muirshiel Park Authority's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## **Financial sustainability**

A deficit of £87,663 for the financial year 2020/21 was incurred, compared to a budgeted deficit of £82,400; which represents an overspend of £5,263.

The audited annual accounts for 2020/21 confirm a reserves balance of £35,449 as at 31 March 2021.

The Minute of Agreement was terminated with effect from 31 March 2021 and the Joint Committee was wound up.

Going forward the three Councils will make decisions separately regarding the parts of the Regional Park lying within their respective boundaries. Management have concluded this will not impact on the designation of Clyde Muirshiel as a Regional Park or the Country Park designations for Muirshiel and Castle Semple.

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# Introduction

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1. This report summarises the findings from our 2020/21 audit of Clyde Muirshiel Park Authority (CMPA).
2. The scope of our audit was set out in our Annual Audit Plan circulated out with the committee cycle in March 2021. This report comprises the findings from:
  - an audit of CMPA's annual report and accounts
  - our consideration of the Annual Governance Statement.
3. The global coronavirus pandemic has had a considerable impact on CMPA during 2020/21. This has had significant implications not least for the services it delivers but also for the suspension of non-essential projects and activities. Risks related to the pandemic were included in our AAP, and we have adapted our planned audit work to address any new emerging risks.

## Adding value through the audit

4. We add value to CMPA through the audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice guides
  - providing clear conclusions on financial sustainability and disclosures in the Annual Governance Statement.
5. In so doing, we aim to help CMPA promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

6. CMPA has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. CMPA is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct

their activities. Our audit work on CMPA's Best Value arrangements is focussed on the bodies use of resources to secure financial sustainability.

**8.** As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness of disclosures in the Annual Governance Statement and the appropriateness and effectiveness of the arrangements in place for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

**9.** The Code of Audit Practice includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the Annual Governance Statement and the financial sustainability of the body and its services. As highlighted in our 2020/21 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2020/21 audit.

**10.** This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

## Auditor Independence

**11.** We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £1,700 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**12.** This report is addressed to both the Infrastructure, Land and Environment Policy Board 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) in due course.

**13.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit, particularly given the difficulties of auditing remotely during the Covid-19 pandemic.

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# Part 1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

CMPA's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

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## Our audit opinions on the annual accounts are unmodified

**14.** The annual accounts for the year ended 31 March 2021 were approved by the Infrastructure, Land and Environment Policy Board on 25 August 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the Management Commentary, the Annual Governance Statement and the audited part of the Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

## The annual accounts were signed off in line with the agreed timetable

**15.** The unaudited annual accounts were received in line with our agreed audit timetable on 17 May 2021. There has been limited impact of Covid-19 on the audit process. The physical limitations on access to records and systems did not impact on or delay the audit and CMPA staff were supported in homeworking during the period of the outbreak.

**16.** The unaudited annual accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

## Overall materiality is £13,000

17. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and we concluded no changes were required to planned levels. Materiality is summarised in [Exhibit 1](#).

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£13,000
Performance materiality	£10,000
Reporting threshold	£1,000

Source: Annual Audit Plan 2020/21

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## Appendix 1 identifies the main risks of material misstatement and our audit work to address these

18. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual accounts. These risks influence our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. Appendix 1 also identifies the work we undertook to address these risks and our conclusions from this work. An additional risk (risk 3) has been included in Appendix 1 that was not reflected in our Annual Audit Plan. Our work on this additional risk did not identify any issues.

## We have no significant findings to report on the accounts

19. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have no issues to report from the audit.

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# Part 2. Financial sustainability and the Annual Governance Statement

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

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## Main judgements

A deficit of £87,663 for the financial year 2020/21 was incurred, compared to a budgeted deficit of £82,400; which represents an overspend of £5,263.

The audited annual accounts for 2020/21 confirm a reserves balance of £35,449 as at 31 March 2021

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## Financial performance in 2020/21

**20.** The Joint Committee approved the 2020/21 budget in February 2020. It was also agreed that an updated financial outlook would be provided to the June 2020 Joint Committee in light of the significant reduction in requisition income in order for officers to assess what actions were required to ensure the park operations remained sustainable.

**21.** Total budgeted expenditure was £0.867 million and total budgeted income was £0.784 million. This resulted in a budget gap of £82,400 that was to be addressed through the use of reserves. This funding gap was due to the reduction in requisition income from North Ayrshire Council and the anticipated impact on park operations impacting on income generation.

**22.** Actual outturn in 2020/21 was total expenditure of £0.659 million and total income of £0.572 million, resulting in a deficit of £87,663 for the financial year 2019/20. This is compared to a budgeted deficit of £82,400, which represents an overspend of £5,263. Details on the variances are outlined in the Management Commentary within the annual accounts.

## Future governance arrangements

**23.** North Ayrshire Council confirmed in June 2020 that it would not provide funding after 2019/20 and would be withdrawing from the Joint Committee. Subsequently Renfrewshire Council and Inverclyde Council agreed the most appropriate option was to terminate the Minute of Agreement and wind up the Joint Committee with effect from 31 March 2021.

**24.** Going forward the three Councils will make decisions separately regarding the parts of the Regional Park lying within their respective boundaries. Management have concluded this will not impact on the designation of Clyde Muirshiel as a Regional Park or the Country Park designations for Muirshiel and Castle Semple. This can therefore be considered to be a change in governance arrangements only as services will continue to be delivered.

## **Annual Governance Statement**

**25.** Our review of the Annual Governance Statement assessed the assurances which are provided to the Joint Committee and Treasurer regarding the adequacy and effectiveness of the committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding "that a reasonable level of assurance can be placed upon the adequacy and effectiveness of Clyde Muirshiel Park Authority's internal control, risk management and governance arrangements".

**26.** We concluded that the information in the Annual Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.

# Appendix 1. Significant audit risks

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 conclusion.

## Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<ul style="list-style-type: none"> <li>• Detailed testing of journal entries</li> <li>• Review of accounting estimates</li> <li>• Evaluation of significant transactions that are outside the normal course of business.</li> <li>• Cut off testing.</li> </ul>	<p>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p><b>Conclusion: no evidence of management override of controls.</b></p>
<p><b>2. Risk of material misstatement caused by complex accounting relating to the wind up and dissolution of CMPA</b></p> <p>North Ayrshire Council agreed in February 2020 to withdraw from the CMPA Joint Committee. Renfrewshire Council and Inverclyde Council agreed</p>	<ul style="list-style-type: none"> <li>• Discussions with management on their plans for financial statements preparation</li> <li>• Review of the financial statements against requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).</li> </ul>	<p>Reviewed the financial statements against the requirements of the Code.</p> <p>The dissolution of CMPA and distribution of assets, liabilities and reserves between Renfrewshire Council and Inverclyde Council has yet to be completed. Delegated authority has been given to</p>

Audit risk	Assurance procedure	Results and conclusions
<p>that the most appropriate option was to wind up the Joint Committee at 31 March 2021. Thereafter, each council will make separate decisions on the Regional Park land falling within their boundaries. There is a risk that due to the unusual and potentially complex accounting required to wind up the Joint Committee, a material misstatement will occur.</p>		<p>officers to finalise the wind up and dissolution of CMPA.</p> <p><b>Conclusion: the dissolution of CMPA has been appropriately reflected in the financial statements and is in line with the requirements of the Code.</b></p>
<p><b>3. Risk of material misstatement caused by accounting for pensions</b></p> <p>CMPA recognised a liability of £0.239 million relating to its share of Strathclyde Pension Fund at 31 March 2021. There is a significant degree of subjectivity in the measurement and valuation of the liability. It is based on specialist assumptions and estimations and changes can result in material changes to the valuation.</p> <p>This risk of material misstatement was identified on receipt of the unaudited accounts.</p>	<ul style="list-style-type: none"> <li>• Assessment of the pension fund actuary and information they provide in accordance with ISA 500.</li> <li>• Review of the estimates used, and assumptions made, in calculating the pension liability.</li> <li>• Assessment of the completeness and accuracy of the information provided to the actuary.</li> </ul>	<p>A review of the actuary and the assumptions they made in calculating the liability was carried out and found to be reasonable.</p> <p><b>Conclusion: the estimates and judgements made to calculate the pension liability were found to be reasonable.</b></p>

# Clyde Muirshiel Park Authority

## 2020/21 Annual Audit Report

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



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