

Mugdock Country Park Joint Management Committee

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Mugdock Country Park Joint Management Committee
and the Controller of Audit

19 October 2021

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Key messages

2020/21 annual accounts

- 1 Mugdock Country Park Joint Management Committee (the Park) financial statements give a true and fair view and were properly prepared.
- 2 Despite additional pressures arising from Covid-19, the annual report and accounts were presented to audit in accordance with the agreed timeline as set out in our Annual Audit Plan.
- 3 The management commentary and annual governance statement are both consistent with the financial statements and are prepared in accordance with relevant regulations and guidance.

Financial sustainability and annual governance statement

- 4 The renewed Minute of Agreement secures the current levels of funding from the constituent authorities for the Park for the period 2019-2024. However, this requires to be formally ratified by the Joint Management Committee.
- 5 The Covid-19 pandemic has had a significant impact on the short-term finances of the Park and the impact of this on the medium to longer term is still to be evaluated.
- 6 We concluded that the information in the Annual Governance Statement complies with guidance and is consistent with our knowledge of the Park.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of Mugdock Country Park Joint Management Committee (the Park).
2. The scope of the audit was set out in our 2020/21 Annual Audit Plan which was circulated to Members on the 18 March 2021 in the absence of Committee meetings due to Covid-19 restrictions. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the financial sustainability of the Park and the appropriateness of the annual governance statement.
3. The main elements of our audit work in 2020/21 have been:
 - an audit of the Park's 2020/21 annual accounts and the issue of an independent auditor's report setting out our opinion
 - consideration of the Park's financial sustainability.
4. The global Covid-19 pandemic has had a considerable impact on the Park during 2020/21. This has had significant implications for the services it delivers and the suspension of non-essential projects and activities. Risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our planned work to address any new emerging risks.

Adding value through the audit

5. We add value to the Park through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
 - taking this together, we aim to help the Park promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

- 6.** The Park 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.
- 7.** The Park is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
- 8.** 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.
- 9.** As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.
- 10.** The [Code of Audit Practice 2016](#) (the Code) 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 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.
- 11.** This report raises matters from our audit. 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.
- 12.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

- 13.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £3,120 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the Joint Management Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

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

Main judgements

Mugdock Country Park Joint Management Committee (the Park) financial statements give a true and fair view and were properly prepared.

Despite additional pressures arising from Covid-19, the annual report and accounts were presented to audit in accordance with the agreed timeline as set out in our Annual Audit Plan.

The management commentary and annual governance statement are both consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

Our audit opinions on the annual accounts are unmodified

15. The accounts for the Park for the year ended 31 March 2021 were approved by the Joint Management Committee on 19 October 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 and the annual governance statement were consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

16. As a result of the continuing impact of Covid-19 the submission deadlines for Local Government audited annual accounts and annual audit reports have been set at 30 November 2021.

17. The unaudited annual report and accounts were received in line with our agreed audit timetable on 2 June 2021. Although ongoing restrictions meant staff have been working reportedly, we were able to gather sufficient audit

evidence on which to draw our conclusions and sign off the annual accounts on 19 October 2021, in line with the original timetable.

There were no objections raised to the annual accounts

18. The Local Authority Accounts (Scotland) Regulations 2014 require 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. The Park complied with these regulations. There were no objections to the 2020/21 accounts.

Materiality

19. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

20. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

21. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£3,638
Performance materiality	£2,183
Reporting threshold	£110

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work performed to address these

22. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks

influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

23. 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.

Other matters noted during our audit

24. A number of errors were identified in the working papers relating to the treatment of prepayments, accruals, and VAT as well as an order being processed twice in error. These were valued at £2,476.26 and have since been rectified in the revised annual accounts. Officers should review the year-end procedures to ensure transactions are accurately processed as well as posted to the correct financial year.

2. Financial sustainability and annual governance statement

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

Main judgements

The renewed Minute of Agreement secures the current levels of funding from the constituent authorities for the Park for the period 2019-2024. However, this requires to be formally ratified by the Joint Management Committee.

The Covid-19 pandemic has had a significant impact on the short-term finances of the Park and the impact of this on the medium to longer term is still to be evaluated.

We concluded that the information in the Annual Governance Statement complies with guidance and is consistent with our knowledge of the Park.

Financial performance in 2020/21

25. The Park is funded jointly by East Dunbartonshire Council and Stirling Council. Capital expenditure is split equally between both councils, and Stirling Council pays a fixed revenue contribution of £50,000 per annum. East Dunbartonshire Council is responsible for overseeing the Park's running costs within the available budget.

26. The comprehensive income and expenditure statement (CIES) for the year ended 31 March 2021 reports expenditure for the year of £486,223. This is £39,623 less than in 2019/20, and £70,214 less than budgeted. Spend in 2020/21 was lower than the previous year primarily due to a decrease in trading and events, operating, utilities and publicity costs.

27. The income for the year reported in the CIES is £88,958, comprising £70,610 from rents and recharges, and a further £18,348 from trading and events. This is £27,401 less than the original budget. This is due to a decrease in sales, fees and charges as well as rental income from the shops caused by the Covid-19 lockdowns.

28. Overall, the net cost of services was lower than budget by £42,812 due to the large decrease in expenditure as a result of the Park being closed for the majority of the year, with limited opening periods.

Future Funding

29. The majority of the Park's income is received from the constituent local authorities, East Dunbartonshire Council and Stirling Council, in the form of grant funding. This is managed through a Minute of Agreement, which expired on 31 March 2019. In our Annual Audit Plan, we reported that a draft Minute of Agreement for 2019-2024 has been prepared, which confirms that funding will be provided on the same basis as the previous.

30. As at September 2021, the revised Minute of Agreement had not yet been ratified by the Joint Management Committee. Whilst the budget for the Park for 2021/22 has already been agreed and approved by East Dunbartonshire Council, steps should be taken to ensure the Minute of Agreement is signed by all parties as soon as reasonably possible to ensure funding is secured for the Park in the coming years.

Recommendation 1

The revised Minute of Agreement should be formally approved by the Joint Management Committee to ensure revenue budgets and capital project plans can be agreed and progressed based on agreed funding.

Capital Projects Plan

31. The Park has an ambitious Capital Projects Plan, which includes the Mugdock Barns project. This aims to provide new facilities for education, events and business. The initial feasibility process provided a high-level elemental cost of £442k. However, the Royal Institute of British Architects (RIBA) Stage 1 study completed in 2019 estimated a higher cost to deliver of £0.669 million, due to significant costs associated with utilities connections.

32. The project has now been progressed to RIBA Stage 2, with costed designs presented to the Joint Management Committee. Officers are reviewing the business case of this project as part of the new 2022-2027 Mugdock Strategy.

33. Due to the levels of capital funding available to the Park, external funding is likely to be required to deliver this project. This has yet to be secured and sources of funding are being investigated. An update is expected to the Joint Management Committee late 2021.

Annual Governance Statement

34. We concluded that the information in the annual governance statement is consistent with the financial statements and has been prepared in accordance with the CIPFA/ SOLACE guidance: *Delivering Good Governance in Local Government Framework (2016)*.

Internal Controls

35. East Dunbartonshire Council, as the host authority, provides support in some key areas of business, particularly in finance, legal and information technology.

36. As part of our audit, we reviewed the high-level controls in a number of the systems used by East Dunbartonshire Council for the processing and recording of transactions and the preparation of the financial statements of the Park.

37. Our overall conclusion was that the key controls within the council's main financial systems were operating satisfactorily, and no significant risks to the Park were identified.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Minute of Agreement</p> <p>The Majority of the Park's income is from constituent local authorities, as managed through the Minute of Agreement. This expired on 31 March 2019, and the revised Minute of Agreement for 2019-2024 has yet to be formally approved by the Park.</p> <p>Risk: The Park does not have funding secured and approved for future years.</p>	<p>The revised Minute of Agreement should be approved by the Joint Management Committee to ensure revenue budgets and capital project plans can be agreed and progressed based on agreed funding.</p> <p>Paragraph 30.</p>	<p>Shifting priorities during the Covid Emergency Period have delayed the signing of the Minute of Agreement between East Dunbartonshire and Stirling Councils. East Dunbartonshire Council have agreed with the terms of the latest draft from Stirling and it is expected that the final version of the Minute will be ready to present at a meeting shortly, after which the parties will proceed to signing. As the new Minute has the same basis as the previous Minute the risk continues to be managed.</p> <p>Executive Officer Roads and Environment</p> <p>January 2022</p>

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 conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</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>	<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 identify any evidence of management override of controls.</p>
<p>2. Risk of material misstatement caused by 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>The extent and complexity of income means there is an inherent risk of fraud in accordance with ISA 240. There is a risk that income</p>	<p>Analytical procedures on income streams</p> <p>Detailed testing of revenue transactions focusing on the areas of greatest risk.</p>	<p>Our audit procedures did not identify any evidence of fraud over income.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>may be misstated resulting in a material misstatement in the financial statements.</p>		
<p>3. Risk of material misstatement caused by fraud in expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</p> <p>There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<p>Analytical procedures on expenditure streams</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Our audit procedures did not identify any evidence of fraud over expenditure.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>4. Financial sustainability</p> <p>The majority of the Park's income is received from the constituent local authorities in the form of grant funding. However, due to the ongoing Covid-19 pandemic and budget constraints within the Park's local authority partners, there is a possibility income targets may not be realised.</p> <p>Furthermore, due to the ongoing Scottish Government restrictions, revenue from Trading and Events is also expected to decrease as a significant number of events were cancelled and non-essential shops closed. Provisions continue to be in place which could adversely impact on the Parks ability to maintain, develop and promote the park in line with</p>	<p>Monitor developments through review of East Dunbartonshire Council Committee papers and minutes.</p> <p>Assess budget performance through audit of annual accounts.</p>	<p>Our review of committee papers and elected members technical notes identified that ongoing funding from constituent local authorities is regularly monitored by members and officers to ensure budgeted expenditure is sustainable.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>the organisations service plan objectives.</p> <p>Grant funding is managed through the Minute of Agreement, which expired on 31 March 2019. A draft Minute of Agreement for the period 2019-2024 has been prepared that confirms funding will be provided on the same basis as the previous minute. However, this has yet to be approved by the Joint Management Committee.</p>		
<p>5. Budget setting & monitoring</p> <p>Due to the nature of the funding arrangements of the Park there is no formal budget approval process carried out by the Joint Management Committee. The budgeted spend for the year is communicated to members through the use of budget monitoring reports which does not allow comparison with prior year spend and provides limited detail as to the reasons behind significant variances.</p> <p>Due to Covid-19, there have been no Joint Management Committee meetings held in 2020/21. Therefore, regular budgetary monitoring reports have not been presented for the Park to facilitate effective scrutiny. There is a risk that budget setting and monitoring is not transparent and may not be based on accurate financial projections for the year.</p>	<p>Review of 2021/22 budget setting process for the Park</p> <p>Ongoing review of available monitoring reports going to Council committee meetings.</p>	<p>In place of committee meetings, regular technical notes have been provided to elected members with the in-year revenue position for the Park. These updates have provided a prior year spend comparison as well as explanations on significant variances.</p> <p>However, due to the ongoing Covid-19 pandemic, it may be difficult to accurately monitor and project the 2021/22 figures. These will be reviewed throughout the year.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>6 Governance and Transparency</p> <p>Joint Management Committee meetings have been suspended since the beginning of the Covid-19 pandemic in March 2020. Councillors have received regular technical bulletins as well as brief updates being included within the East Dunbartonshire Council committee papers. However, these have lacked detail, specifically in the following areas:</p> <ul style="list-style-type: none"> • the Mugdock Strategy and Mugdock Business Plan for 2021-26 have not been approved • no updates have been made to the risk register since March 2020 • regular revenue budgetary reports for the Park have not been presented • there have been no updates on the progress of the capital projects plan or the planned IT upgrade. 	<p>Ongoing review of reports presented to Council, for information relevant to the Park.</p>	<p>The regular technical notes to elected members have included updates as follows:</p> <ul style="list-style-type: none"> • The development of a new Mugdock Strategy for the period 2021-26 has progressed with the work currently out to tender. It is intended this will be brought to Committee later in the year for approval. • The risk register was updated and circulated to elected members in July 2021 • Regular budgetary reports have now been provided to elected members • Plans are being drawn up for replacement cabling across the Park as part of the BT superfast broadband rollout. Some progress has also been made since the easing of restrictions with the capital projects and it is intended to accelerate the remaining programme.

Appendix 3

Summary of national performance reports 2020/21
performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

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