

CLYDE MUIRSHIEL PARK AUTHORITY

To: Joint Committee

On: 7 September 2018

Report by: Audit Scotland

Heading: Annual Audit Report 2017-18

1. Summary

- 1.1 At the meeting of the Joint Committee on 22 June 2018 a report on the unaudited accounts for the year ended 31 March was noted.
- 1.2 The audit certificate issued by Audit Scotland provides an unqualified opinion that the annual accounts presents a true and fair view of the financial position of the Joint Committee as at 31 March 2018, in accordance with the accounting policies detailed in the accounts.
- 1.3 A member of the Audit Scotland will present this paper report and answer any questions.

2 Recommendations

- 2.1 It is recommended that members note the report by Audit Scotland.
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7 September 2018

Clyde Muirshiel Park Authority Joint Committee Audit of 2017/18 annual accounts

Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 11 September 2018 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Joint Committee's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions based on our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice. As outlined within our Annual Audit Plan due to the nature and size of Clyde Muirshiel Park Authority, we have assessed the extent of wider dimensions work and concluded that a reduced scope, as outlined in paragraph 53 of the Code of Audit Practice, can be applied.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.

Representations from Section 95 Officer

6. As part of the completion of our audit, we are seeking written representations from the Treasurer on aspects of the annual accounts, including the judgements and estimates made.

7. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Treasurer with the signed annual accounts prior to the independent auditor's report being certified.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of Clyde Muirshiel Park Authority Joint Committee and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Clyde Muirshiel Park Authority Joint Committee for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of Clyde Muirshiel Park Authority as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- 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.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Clyde Muirshiel Park Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Clyde Muirshiel Park Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Treasurer and the Joint Committee for the financial statements

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Treasurer is responsible for assessing Clyde Muirshiel Park Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Joint Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been

prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Mark Ferris

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September 2018

APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris
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Dear Mark

Clyde Muirshiel Park Authority Annual Accounts 2017/18

1. This representation letter is provided in connection with your audit of the annual accounts of Clyde Muirshiel Park Authority for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and governance statement.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Lead Officer, the following representations given to you in connection with your audit of Clyde Muirshiel Park Authority's annual accounts for the year ended 31 March 2018.

General

3. Clyde Muirshiel Park Authority and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Clyde Muirshiel Park Authority have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Clyde Muirshiel Park Authority at 31 March 2018 and the transactions for 2017/18.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code where applicable.

Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Clyde Muirshiel Park Authority circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the Joint Committee's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. Management are currently undertaking a Service Review which could potentially change the current structure of the Park Authority, however to the best of my knowledge the use of the going concern basis of accounting is still appropriate

Assets

10. The assets shown in the Balance Sheet at 31 March 2018 were owned by Clyde Muirshiel Park Authority, other than assets which have been purchased under finance leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

11. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.
12. The accrual recognised in the financial statements for holiday untaken by 31 March 2018 has been estimated on a reasonable basis.
13. The pension assumptions made by the actuary in the IAS 19 report for Clyde Muirshiel Park Authority have been considered and I confirm that they are consistent with management's own view.
14. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Fraud

15. I have provided you with all information in relation to
 - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

16. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

17. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all the Authority's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

18. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

19. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

20. I confirm that the Clyde Muirshiel Park Authority has undertaken a review of the system of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
21. I confirm that the Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

Events Subsequent to the Date of the Balance Sheet

22. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
23. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice, other than the going concern basis of accounting as referred to at paragraph 9 above.

Yours sincerely

Treasurer

Clyde Muirshiel Park Authority

2017/18 Annual Audit Report



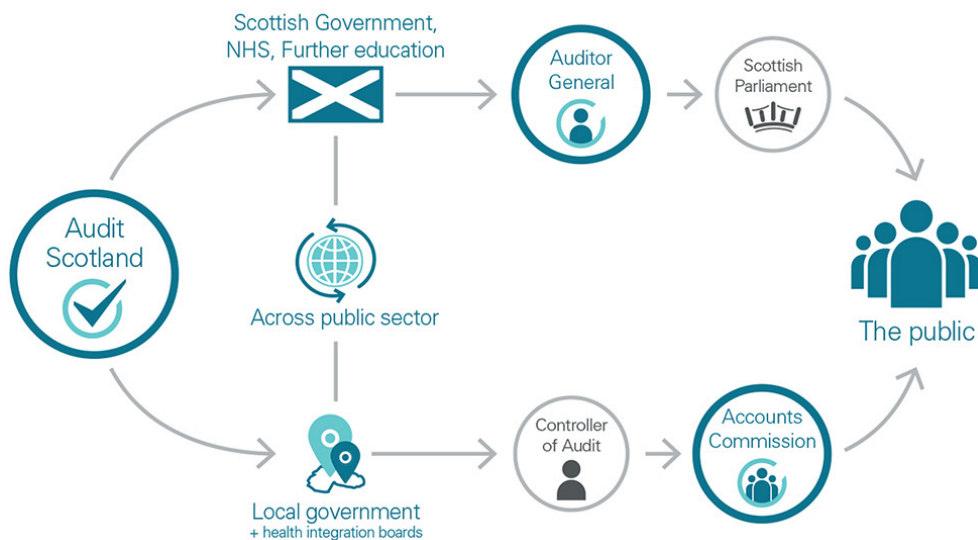
Prepared for Members of the Clyde Muirshiel Park Authority Joint Committee and the Controller of Audit

7 September 2018

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

2017/18 annual report and accounts

- 1** In our opinion, Clyde Muirshiel Park Authority's financial statements give a true and fair view and were properly prepared, and expenditure and income was in accordance with applicable enactments and guidance.
- 2** The audited part of the Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.
- 3** The pension fund liability on the balance sheet was overstated. This was due to asset return assumptions in the actuary's report being significantly different to actual returns.
- 4** Management should continue to review how capital expenditure and reserves are disclosed within the financial statements.

Financial sustainability and governance statement

- 5** A surplus of £0.020 million was delivered against a budgeted breakeven position and the surplus was taken to reserves.
- 6** We concluded that the information in the Governance Statement is consistent with the financial statements and complies with the guidance issued by the Scottish Ministers.
- 7** There are uncertainties around the use of the going concern assumption. A review of governance and services is being carried out which could impact on Clyde Muirshiel Park Authority's ability to continue as a going concern.

Introduction

1. This report summarises the findings from our 2017/18 audit of Clyde Muirshiel Park Authority (CMPA).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 16 February 2018 meeting of the Joint Committee. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the financial sustainability and Governance Statement
3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:
 - financial sustainability
 - financial management
 - governance and transparency
 - value for money.
4. 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.
5. As highlighted in our [2017/18 Annual Audit Plan](#) (paragraph 21), due to the volume and lack of complexity of the financial transactions, and nature and size of CMPA, we applied the small body provisions of the Code to the 2017/18 audit of CMPA.
6. CMPA has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. 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 are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2016](#), and guided by the auditing profession's ethical guidance.
8. As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the Governance Statement disclosures. In doing this, we aim to support improvement and accountability.
9. 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.

10. 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.

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 2017/18 audit fee of £1,749 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to CMPA by providing insight on financial sustainability and by identifying areas of improvement and recommending good practice. In so doing, we aim to help CMPA promote improved standards of financial planning, better management and decision making.

13. This report is addressed to members of the Joint Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2017/18 annual report and accounts



Main judgements

In our opinion, Clyde Muirshiel Park Authority's financial statements give a true and fair view and were properly prepared, and expenditure and income was in accordance with applicable enactments and guidance.

The audited part of Remuneration Report, Management Commentary and the Governance Statement were all consistent with the financial statements.

The pension fund liability on the balance sheet was overstated. This was due to asset return assumptions in the actuary's report being significantly different to actual returns.

Management should continue to review how capital expenditure and reserves are disclosed within the financial statements.

Audit opinions on the annual report and accounts

15. The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Committee on 7 September 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the audited part of the Remuneration Report, Management Commentary and Governance Statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

16. We received the unaudited annual report and accounts on 7 June 2018 which was earlier than our agreed audit timetable.

17. The unaudited annual report and 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.

Risks of material misstatement

18. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

20. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the unaudited annual report and accounts we reviewed our planning materiality calculations and concluded that, while the values changed slightly, they remained appropriate and these are summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Annual Audit Plan	Unaudited annual report and accounts
Overall 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 per cent of gross expenditure for the year ended 31 March 2018.	£11,400	£12,500
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 75 per cent of overall materiality.	£8,500	£9,300
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£1,000	£1,000

Source: Annual Audit Plan 2017/18

How we evaluate misstatements

21. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality. There was one material adjustment to the unaudited financial statements which is outlined in [Exhibit 2](#). There were no other errors above the reporting threshold.

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of CMPA

Issue	Resolution
<p>1. Pension scheme valuation</p> <p>CMPA accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS 19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns. This resulted in pension fund assets reported in CMPA's balance sheet being understated by £94,000.</p>	<p>This was corrected by management. An adjustment was processed to reflect CMPA's share of the pension fund assets based on the latest valuation at 31 March 2018. This had the impact of reducing the pension fund liability and increasing the pension reserve by £94,000. As local government accounting regulations require the general fund to be charged with amounts payable to the pension fund or directly to pensioners during the year rather than amounts calculated according to IAS 19, this adjustment does not impact the outturn for the year or the general fund balance</p>

Other issues

Inventories

23. We identified the inventories disclosure in the financial statements had little detail and only the total inventories balance was disclosed. Additional information should be disclosed on material balances to provide users with sufficient information to make informed decisions. Inventories totalled £8,061 at the year end. While this was not material based on our materiality levels ([Exhibit 1](#)), management have made additional disclosures for other balances with a smaller value. To be consistent, management should enhance the disclosure of inventories.



Recommendation 1

Management should consider enhancing the inventories disclosure to provide users with more information.

Capital expenditure and reserves

24. The Accounting Code outlines that for financial statements to be useful, they must provide a faithful representation of financial information with the substance of a transaction/process being reported as opposed to its legal form.

25. During the audit, we noted CMPA had incurred capital expenditure but this had been accounted for as revenue expenditure. The financial statements disclose that CMPA does not have the power to hold assets therefore any capital expenditure is treated as revenue expenditure.

26. A similar disclosure issue was identified with CMPA's reserves. The financial statements outline Joint Committees have no specific powers to hold reserves therefore reserves are transferred to creditors. Any reserves that have been built up will ultimately be returned to the member councils upon the cessation of CMPA or when the Joint Committee decides to reimburse the reserves to member councils.

27. Discussions with management are ongoing to conclude whether the current treatment of capital expenditure and reserves is appropriate or needs to be revised going forward.



Recommendation 2

Management should continue to review how capital expenditure and reserves are disclosed within the financial statements.

Follow up of prior year recommendations

28. We have followed up actions previously reported and assessed progress. Five agreed actions were raised in 2016/17, however not all of these been fully actioned as outlined in [Appendix 1](#). For those actions not yet actioned, revised responses and timescales have been agreed with management and these are set out in [Appendix 1](#).

Part 2

Financial sustainability and governance statement



Main judgements

A surplus of £0.020 million was delivered against a budgeted breakeven position and the surplus was taken to reserves.

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

There are uncertainties around the use of the going concern assumption. A review of governance and services is being carried out which could impact on CMPA's ability to continue as a going concern.

Financial performance in 2017/18

29. The Joint Committee approved the 2017/18 budget in February 2017. Total budgeted expenditure was £1.079 million and total budgeted income was £1.079 million resulting in a breakeven position.

30. Actual outturn in 2017/18 was total expenditure of £1.116 million and total income of £1.136 million. This resulted in a surplus of £0.020 million that was taken to reserves.

Short term financial planning

31. The largest source of income for CMPA is requisitions from members of the Joint Committee. Other sources of income include grant funding from external bodies and agencies, income generated through services provided to the public and income generated from sales at its cafes and shop.

32. The Joint Committee approved the 2018/19 budget in February 2018. Total budgeted expenditure was £1.023 million and total budgeted income was £0.963 million. This resulted in a budget gap of £0.060 million that is to be addressed through efficiency savings.

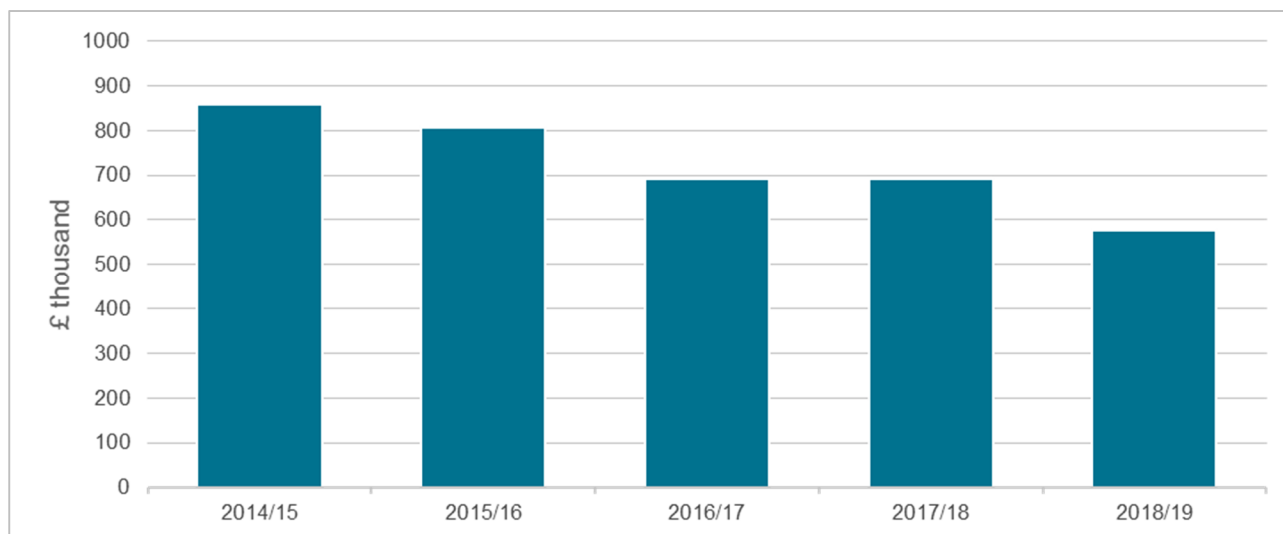
33. Requisition income has decreased by 16.8 per cent from £0.693 million in 2017/18 to £0.577 million in 2018/19. All members reduced their contribution, however the largest reduction was by North Ayrshire Council. North Ayrshire Council's contribution reduced by almost 60 per cent while other members' contributions reduced by less than 10 per cent.

34. Requisition income has decreased by 32.8 per cent over the last 5 years ([Exhibit 2](#)). To manage the reductions, management have had to deliver efficiency savings or generate additional income. However, opportunities to deliver further savings or generate additional income are limited. This may impact on the current services that CMPA is able to deliver and the way these services are delivered.

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.

Exhibit 2

Analysis of requisition income



Source: CMPA annual report and accounts 2014/15 and CMPA 2018/19 budget

Medium to long term financial planning

35. We reported in our [2016/17 Annual Audit Report](#) that neither medium to longer term financial planning or scenario planning are carried out by management. A recommendation was made suggesting this be carried out going forward and management indicated scenario planning would be incorporated in the revenue estimates process to action this recommendation. However, the budget for 2018/19 was only for a single year and did not include any scenario planning. With the pressures on resources outlined in paragraph 34, management should carry out medium to longer term financial planning.

36. The Joint Committee approved CMPA's Park Strategy 2016-2021 in September 2016. While the strategy does not have any specific financial plans or estimates, there are objectives which aim to support CMPA's financial position and address the pressures on resources. These include capitalising on opportunities to improve park assets and infrastructure, maximising income generation via commercial activity and outdoor leisure activities being resourced and developed in line with market demand.

37. The Park Strategy is aimed at ensuring the park is financially sustainable and pressures on resources can be managed. However, the lack of medium to longer term financial planning or scenario planning could impact on how management and members are able to identify and address pressures on resources.

Going concern

38. The annual report and accounts highlight uncertainties in the use of the going concern assumption under which the financial statements have been prepared. [Exhibit 2](#) outlines the decrease in requisition income over the last 5 years and with limited opportunities to increase income generated from other sources, there are concerns around the use of the going concern assumption and financial sustainability.

39. At the 2018/19 budget setting meeting, members had concerns about the reduction in North Ayrshire Council's contribution and the implication this would have on CMPA and the Joint Committee going forward. Considering these developments, management indicated a review would be carried out which outlines

options and recommendations for the future operations and governance of CMPA. This is to be reported to the Joint Committee no later than September 2018 and the outcome of the report and decisions made by members could impact on the use of the going concern assumption. We will consider the impact of decisions made by members on our independent auditor's report and audit opinion prior to formally signing the 2017/18 annual report and accounts.

Governance statement

40. Our review of the Governance Statement assessed the assurances which are provided to the Park Manager regarding the adequacy and effectiveness of the board'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 the Joint Committee's governance framework, risk management and internal control'.

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

42. The statement outlines the Minute of Agreement, Procedural Standing Orders, Scheme of Delegation and Financial Regulations are some of the main features of the governance arrangements. We reported in our [2016/17 Annual Audit Report](#) that these policies and procedures had not been updated and recommended these were reviewed and updated by management as required. Management indicated this would be carried out by the end of March 2018, however this is yet to be done. As a result, these policies and procedures remain out of date and may not reflect the current legislative requirements and CMPA's current situation.

General Data Protection Regulation

43. The General Data Protection Regulation (GDPR) became enforceable on 25 May 2018. The regulation made changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation could result in significant sanctions.

44. Renfrewshire Council has been providing support to CMPA in preparation for GDPR. As a Joint Committee, CMPA is not specifically impacted by the requirements of GDPR. However, management have decided it will fall within the arrangements in place at Renfrewshire Council, as host authority, and the Data Protection Officer (DPO) of Renfrewshire Council will assume responsibility of data protection arrangements at CMPA.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Inventories disclosure</p> <p>The inventories disclosure in the financial statements had little detail and only the total balance was reported. Additional information should be disclosed on material balances. While this was not material based on our materiality levels, the balance is considered to be material based on the current management presentation of the financial statements.</p> <p>Risk</p> <p>There is a risk with the level of information currently disclosed, users of the financial statements will not have sufficient information to make informed decisions.</p>	<p>The inventories disclosure should be enhanced to provide users additional information and to be consistent with the level of information reported for other balances.</p> <p>Paragraph 23</p>	<p>This will be reviewed and a separate note will be included in future annual accounts.</p> <p>Responsible officer: Head of Finance</p> <p>Target date: 31 March 2019</p>
2	<p>Capital expenditure and reserves</p> <p>The financial statements disclose CMPA does not have the power to hold assets or reserves therefore capital expenditure and reserves are not reflected within the financial statements.</p> <p>Risk</p> <p>There is a risk the financial statements do not fully reflect the substance of CMPA's transactions.</p>	<p>It is recommended that management continue to review how capital expenditure and reserves are reported in the financial statements.</p> <p>Paragraph 24 – 27</p>	<p>This will be reviewed and updated as appropriate.</p> <p>Responsible officer: Head of Finance</p> <p>Target date: 31 March 2019</p>

Follow up of prior year recommendations

b/f	<p>1. Medium term financial planning</p>	<p>It is recommended scenario planning is carried out to</p>	<p>Owing to the significant change in requisition income available to the Park Authority</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>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.</p>	<p>highlight the impact of possible developments to members.</p> <p>2017/18 update</p> <p>Medium to longer term financial planning or scenario planning has not been carried out. The 2018/19 budget was prepared for a single year. The risk identified in 2016/17 has not been addressed.</p>	<p>in 2018/19 and the potential impact of this on the future financial sustainability of the Park, a medium term outlook was not prepared. Discussion with both Park management and requisitioning authorities will inform the future development of a medium term financial outlook.</p> <p>Responsible officer: Head of Finance</p> <p>Revised date: 31 March 2019</p>
b/f	<p>2. Governance policies and procedures</p> <p>A review of governance policies and procedures was carried out and a number of policies require to be updated. These include the:</p> <ul style="list-style-type: none"> • scheme of delegation • contract standing orders • financial regulations and financial codes • minute of agreement <p>Without up to date policies and procedures there is a risk that functions are not delivered effectively and failures in governance could occur.</p>	<p>It is recommended that these policies and procedures are reviewed and updated to reflect the current situation of CMPA.</p> <p>2017/18 update</p> <p>A review of Joint Committee papers and attendance at meetings has identified these policies and procedures have still not been reviewed and updated. The risk identified in 2016/17 has not been addressed.</p>	<p>The policies and procedures will be reviewed and updated as appropriate.</p> <p>Responsible officer: New Interim Park Manager</p> <p>Revised date: 31 March 2019</p>
	<p>3. Internal Audit reporting</p> <p>A review of minutes and discussions with internal audit identified that internal audit reports are not provided to members of the 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.</p>	<p>It is recommended that management take internal audit reports to the Joint Committee meetings to allow members to understand the findings of the work carried out.</p>	<p>Internal audit reporting arrangements were revised and approved by the Joint Committee in June 2018. Summary internal audit reports will now be shared with members.</p> <p>Responsible officer: Regional Park Manager</p> <p>Target date: 31 March 2018</p> <p>Actual Date: 22 June 2018</p>
	<p>4. Risk management</p>	<p>It is recommended that risk management arrangements are reviewed and a risk</p>	<p>A risk management plan and risk register were reported to the Joint Committee in</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>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.</p>	<p>register and formal risk management plan is implemented.</p>	<p>September 2017. The arrangements were revised in February 2018 and the risk register is now to be reported to members on a biannual basis.</p> <p>Responsible officer: Regional Park Manager</p> <p>Target date: 1 September 2017</p> <p>Actual Date: 1 September 2017</p>
	<p>5. Park Strategy</p> <p>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.</p>	<p>It is recommended that targets or milestones be created for the Park Strategy objectives.</p>	<p>An annual report is published which sets out the achievements and performance of CMPA against the Park Strategy priorities and objectives. There are still no targets or milestones for the Park Strategy. However, the information reported in the annual report will allow members and the public to obtain an understanding of how CMPA has performed against the Park Strategy.</p> <p>Responsible officer: Regional Park Manager</p> <p>Target date: 1 September 2017</p> <p>Actual Date: 1 September 2017</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 report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Risk of management override of controls 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 consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.	No unusual or inappropriate transactions were identified as part of our detailed journal testing. A review of accounting estimates did not show any evidence of bias. Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet. Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls. Conclusion: no evidence of management override of controls.
2 Risk of fraud over income 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.	Analytical procedures on income streams. Detailed testing of revenue transactions focusing on the areas of greatest risk.	Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances. Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year. Conclusion: no evidence of fraud over income.
3 Risk of fraud over expenditure ISA 240 presumes a risk of fraud over income which is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice	Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focusing	Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances. Detailed testing of expenditure transactions confirmed these were

Audit risk	Assurance procedure	Results and conclusions
The risk of fraud over expenditure applies due to the variety and extent of expenditure incurred by CMPA in delivering services.	on the areas of greatest risk.	normal business transactions and had been accounted for in the correct year. Conclusion: no evidence of fraud over expenditure.

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

<p>4 Financial sustainability</p> <p>Financial reports to members highlight uncertainties around future funding, capacity issues in income generation, 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 achieved in 2017/18 and this was taken to reserves. However, there has been a significant reduction in requisition income in 2018/19 and savings of £0.060 million will need to be delivered to achieve breakeven. With capacity issues in income generation and limited savings opportunities, it will be difficult for CMPA to deliver services with the resources available. A review of governance and services is being carried out to assess how services can be delivered going forward and this could impact on how CMPA is structured and its ability to continue as a going concern.</p> <p>Conclusion: CMPA continues to operate in a challenging financial climate, with difficulties in delivering existing services with the current levels of resources. Management are carrying out a review of governance and services to assess if there are alternative approaches to delivering these services.</p>
<p>5 General Data Protection Regulation</p> <p>The General Data Protection Regulation (GDPR) becomes enforceable from May 2018. The regulation makes changes to data protection laws and the ways in which entities address data protection compliance. Failure to comply with the regulation can result in significant sanctions.</p> <p>Ensuring compliance with the regulation is resource intensive and will require a designated Data Protection Officer (DPO). CMPA will need to ensure it is prepared for GDPR and has the necessary</p>	<p>Attendance at Joint Committee meetings and review of Joint Committee meeting papers.</p> <p>Discussions with management to monitor and discuss developments.</p>	<p>Renfrewshire Council has been providing support to CMPA for GDPR. The DPO of Renfrewshire Council will assume responsibility for data protection arrangements at CMPA.</p> <p>Conclusion: GDPR has only been enforceable for a short period of time. Steps have been taken by management to ensure the statutory requirements of GDPR have been met. Compliance with GDPR will be assessed as part of our audit work over the remainder of the audit engagement.</p>

Audit risk	Assurance procedure	Results and conclusions
arrangements in place for the enforcement date.		

Clyde Muirshiel Park Authority Joint Committee

2017/18 Annual Audit Report

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