

Clyde Muirshiel Park Authority

Annual Audit Plan 2018/19



 AUDIT SCOTLAND

Prepared for Clyde Muirshiel Park Authority
February 2019

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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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan sets out the work necessary to allow us to provide an independent auditor's report on the financial statements and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.


Adding value

3. We aim to add value to the Clyde Muirshiel Park Authority (CMPA) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help CMPA promote improved standards of governance, better management and decision making and more effective use of resources.


Audit risks

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

Exhibit 1 2018/19 Key audit risks

 Audit Risk	Management's source of assurance	Planned audit work
Financial statements issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • 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.
<p>2 Risk of fraud over income</p> <p>Clyde Muirshiel Park Authority receives a significant amount of income from several sources including, income generated from sales, fees and charges. The extent</p>	<p>Income is closely monitored and discussed at budget monitoring meetings. Significant differences from actuals</p>	<ul style="list-style-type: none"> • Analytical procedures on income streams. • Detailed testing of income transactions focusing on the areas of greatest risk.

 Audit Risk	Management's source of assurance	Planned audit work
<p>and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>compared to projected income are investigated.</p>	
<p>3 Risk of fraud over expenditure</p> <p>Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure.</p> <p>The Code of Audit Practice expands the consideration of fraud under ISA 240. The risk of fraud over expenditure applies due to the variety and extent of expenditure incurred by CMPA in delivering services.</p>	<p>Expenditure is closely monitored and discussed at budget monitoring meetings. Significant differences from actuals compared to projected expenditure are investigated.</p>	<ul style="list-style-type: none"> • Analytics procedures on expenditure streams • Detailed testing of expenditure transactions focusing on the areas of greatest risk.
<p>4 Estimates and Judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account area of pensions.</p> <p>CMPA's net liability relating to the Strathclyde Pension Fund at 31 March 2018 was £0.162 million. This value is an estimate based on a number of assumptions from the pension fund actuary.</p> <p>This subjectivity represents an increased risk of material misstatement in the financial statements.</p>	<p>Any significant estimates and judgements are clearly explained in the Notes to the Accounts.</p> <p>Where these are required, they are based on the best information available at the time of the estimate and on both a professional and a prudent approach, either by Renfrewshire Council staff, or appointed experts, such as the Pension Fund actuary.</p>	<ul style="list-style-type: none"> • Review of the pension actuary and the assumptions made in calculating the estimated pension liability.
<p>5 New accounting system</p> <p>Renfrewshire Council implemented an enterprise resource planning system (Business World) in October 2018 which combines finance, HR, payroll and procurement into a single integrated application.</p> <p>The implementation of Business World during the 2018/19 financial year means that the annual accounts will be prepared using information recorded both before and after the change in system, under two different control environments.</p> <p>This introduces additional risks:</p> <ul style="list-style-type: none"> – The new control environment may be less robust – Data may not be correctly transferred to the new system – Differences in the new system may make accounts preparation more challenging 	<p>Robust financial reconciliations were undertaken at the point of financial data migrating from e5 to Business World at the end of September 2018.</p> <p>A Business World implementation team has supported the transition for staff and processes and will likely be in place for several months.</p> <p>Procurement and HR self-service modules are planned to go live in early 2019.</p> <p>The Annual Accounts 2018/19 will be prepared using new and migrated data from Business World.</p> <p>A new Chart of Accounts is in place, which has been clearly mapped from</p>	<ul style="list-style-type: none"> • Gaining an understanding of Business World by reviewing process maps and through discussions with key officers. • Detailed testing of significant transactions processed during the change period and rolled forward balances. • Review of account/cost code mapping from legacy system to Business World. • The work outlined above will be completed as part of the Renfrewshire Council audit and the CMPA audit team will take assurances from that work.

 Audit Risk	Management's source of assurance	Planned audit work
<p>The overall impact of the move to Business World is an increased risk of material misstatement in the annual accounts. This affects CMPA as Renfrewshire Council is the host authority and CMPA uses its accounting system.</p>	<p>old to new ledger systems.</p>	
<p>6 Going concern</p> <p>Levels of requisition income have decreased significantly over the last few years. At the same time, there have been increasing cost pressures and limitations on increasing income from other sources. These issues raise concerns around the use of the going concern assumption to prepare the financial statements. This was reflected in CMPA's annual accounts 2017/18 which highlighted uncertainties in the use of the going concern assumption to prepare the financial statements.</p> <p>Due to these pressures, management indicated a review of future operations and governance arrangements would be carried out and reported back to the Joint Committee. This work is ongoing and will be reported back to the Joint Committee to decide what actions should be taken.</p> <p>The uncertainties in future operations and governance arrangements represent an increased risk of material misstatement in the financial statements.</p>	<p>The review is still ongoing and the outcomes will be presented to members at future Committee meetings.</p> <p>Finance staff are aware of the current financial position and will ensure the financial statements are prepared accordingly.</p>	<ul style="list-style-type: none"> • Review of updates to members and committee papers. • Review of the use of the going concern assumption in the 2018/19 annual accounts and provide an opinion in the independent auditor's report.
<p>Wider dimension issues and risks</p>		
<p>7 Financial sustainability</p> <p>The 2018/19 Revenue Estimates and finance reports to members throughout the year highlight uncertainties in future funding and increasing pressures 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>The Treasurer and the Park Lead Officer continue to closely monitor the financial position and actively discuss this with member local authorities in order to ensure financial obligations are fulfilled.</p>	<ul style="list-style-type: none"> • Review of budget monitoring reports during the year and comment on the financial position within the annual audit report.

Reporting arrangements

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

6. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

7. We will provide an independent auditor's report to the Joint Committee and Accounts Commission setting out our opinions on the annual accounts. We will provide the Joint Committee and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2 2018/19 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	1 February 2019	15 February 2019
Annual Audit Report	16 August 2019	6 September 2019
Independent Auditor's Report	16 August 2019	6 September 2019

Source: Audit Scotland

Audit fee

8. The proposed audit fee for the 2018/19 audit of CMPA is £1,804 (2017/18 £1,749). In determining the audit fee, we have taken account of the risk exposure of CMPA, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 24 June 2019.

9. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

Responsibilities

Joint Committee and Treasurer

10. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

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

Appointed auditor

12. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

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

Audit scope and timing

Financial statements

14. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

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

15. We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state affairs of the body as at 31 March 2019 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 2018/19 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.



characteristics



responsibilities



principal activities



risks



governance arrangements

Other information in the annual accounts

16. We also review and report on other information published within the annual accounts including the management commentary, annual governance statement and the remuneration report. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

17. We also read and consider any information in the annual accounts other than the financial statements and audited part of the remuneration report and report any uncorrected material misstatements.

Materiality

18. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

19. We calculate materiality at different levels as described below. The calculated materiality values for CMPA are set out in [Exhibit 3](#).

Exhibit 3 Materiality values



Materiality	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of projected gross expenditure for the year ended 31 March 2019 based on the budget for 2018/19.	£9,600
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 60% of planning materiality.	£5,700
Reporting threshold (i.e., clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£1,000

Source: Audit Scotland

Timetable

20. To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

Exhibit 4 Annual accounts timetable

 Key stage	 Date
Consideration of unaudited annual accounts by those charged with governance	21 June 2019
Latest submission date of unaudited annual accounts with complete working papers package	24 June 2019
Latest date for final clearance meeting with Treasurer or finance officer	22 July 2019
Issue of Letter of Representation and proposed independent auditor's report	6 September 2019
Agreement of audited unsigned annual accounts	6 September 2019
Issue of Annual Audit Report to those charged with governance	6 September 2019
Independent auditor's report signed	11 September 2019

Internal audit

21. Internal audit is provided by the internal function at Renfrewshire Council. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with Public Sector Internal Audit Standards (PSIAS). This has been carried out by the Renfrewshire Council

audit team and concluded that the internal audit function at Renfrewshire Council complies with the PSIAS and that appropriate documentation standards and reporting procedures are in place.

Using the work of internal audit

22. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible to avoid duplication. We plan to consider the findings of the work of internal audit as part of our planning process to minimise duplication of effort and to ensure the total resource is used efficiently or effectively.

Audit dimensions

23. 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 accountability and value for money.

24. 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 governance statement and the financial sustainability of the body and its services. In the light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2018/19 audit of CMPA.

Financial sustainability

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

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether CMPA can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Governance and transparency

26. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information. We will review, conclude and report on the appropriateness of disclosures in the annual governance statement.

Independence and objectivity

27. 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 also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual "fit and proper" declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland's Ethics Partner.

28. The engagement lead (i.e. appointed auditor) for CMPA is Mark Ferris, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of

audit staff. We are not aware of any such relationships pertaining to the audit of Clyde Muirshiel Park Authority.

Quality control

29. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

30. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

31. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

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