

Clyde Muirshiel Park Authority

2018/19 Annual Audit Report



 AUDIT SCOTLAND

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

6 September 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.

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2018/19 annual report and accounts	7
Part 2 Financial sustainability	12
Appendix 1 Action plan 2018/19	15
Appendix 2 Significant audit risks identified during planning	16
Appendix 3 Summary of national performance reports 2018/19	20

Key messages

2018/19 annual report and accounts

- 1** Clyde Muirshiel Park Authority's financial statements give a true and fair view and were properly prepared.
- 2** An adjustment to pension disclosures and balances was required as a result of a legal judgement. This resulted in an increase of £66,000 to the pension fund liability reported in the Balance Sheet.
- 3** The Management Commentary, the Governance Statement and the audited part of the Remuneration Report, were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Financial sustainability

- 4** A deficit of £2,276 was delivered against a budgeted breakeven position which was funded by the use of reserves.
- 5** The 2019/20 financial plan is projecting a funding gap of £20,000. To achieve a balanced budget, management intend to mitigate this through the planned use of reserves. Any additional redundancy costs will be met through additional funding from the member authorities.
- 6** Future financial planning indicates budget gaps in 2020/21 and 2021/22 of £44,000 and £50,800 respectively. These are also expected to be addressed through efficiency savings.
- 7** In our 2016/17 Annual Audit Report, a recommendation was made regarding the policies and procedures within the Governance Framework and their need to be reviewed and updated. This review was not undertaken in 2017/18 and at the time of our 2018/19 audit remained outstanding. Management should make it a priority to complete this review as the current policies and procedures remain out of date and may not reflect the current legislative requirements and CMPA's current situation.

Introduction

1. This report summarises the findings from our 2018/19 audit of Clyde Muirshiel Park Authority (CMPA).
2. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the 15 February 2019 meeting of the Joint Committee. This report comprises the findings from:
 - an audit of CMPA annual report and accounts
 - consideration of the financial sustainability and Governance Statement.

Adding value through the audit

3. We add value to the CMPA through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance and financial sustainability.
4. In so doing, we aim to help CMPA promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. CMPA has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. CMPA is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. 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.
7. As public-sector auditors we give independent opinions on the annual report and accounts and conclude on securing financial sustainability and appropriateness of the annual governance statement disclosures. In doing this, we aim to support improvement and accountability.
8. 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 2018/19 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 2018/19 audit.

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.

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 2018/19 audit fee of £1,804 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

13. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual report and accounts



Main judgements

CMPA's financial statements give a true and fair view and were properly prepared.

An adjustment to pensions disclosures and balances was required as a result of a legal judgement. This resulted in an increase of £66,000 to the pension fund liability reported in the Balance Sheet.

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

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.

Audit opinions on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2019 were approved by the Joint Committee on 6 September 2019. We reported, within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- the management commentary, the governance statement and the audited part of the remuneration report, were all consistent with the financial statements and properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual report and accounts for audit

15. We received the unaudited annual report and accounts on 21 June 2019 in line with our agreed audit timetable.

16. 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.

17. The Local Authority Accounts (Scotland) Regulations 2014 required CMPA to give public notice for inspection and objection of the 2018/19 unaudited annual report and accounts by 17 June 2019. The public notice was published on the CMPA website on 26 June 2019 and in a newspaper on 28 June 2019, meaning this deadline was not met.

Risks of material misstatement

18. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual report and accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

19. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

Materiality

20. 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.

21. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

22. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations as detailed in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£11,200
Performance materiality	£6,700
Reporting threshold	£1,000

Source: Audit Scotland

Significant findings from the audit (ISA 260)

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 covering accounting policies, accounting estimates and financial statements disclosures.

24. The significant findings are summarised in [Exhibit 2](#).

25. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

Exhibit 2

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1. Capital accounting</p> <p>We recommended in our 2017/18 Annual Audit Report that management review how capital expenditure is reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that capital expenditure would be reflected in the financial statements to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in new accounting policies for property, plant, and equipment (PPE) and intangible assets being included in the financial statements.</p>	<p>From our work, we concluded that CMPA do not have any PPE or intangible assets which require capitalisation. However, it can be noted that the 2018/19 accounts have been fully updated to reflect this change in accounting policy.</p>
<p>2. Reserves accounting</p> <p>We recommended in our 2017/18 Annual Audit Report that management review how reserves are reflected in the financial statements. This was discussed further with management as part of the 2018/19 audit and it was agreed that the accounting treatment for reserves would be updated to reflect the substance of arrangements rather than just their legal form.</p> <p>This change resulted in a revenue reserve balance being recognised in the financial statements at the year end. Prior year comparatives were also restated to reflect the updated accounting treatment. The revenue reserve balance reflects accumulated surpluses that have been generated in previous years which are available to CMPA.</p>	<p>The audit recommendation has been fully implemented by management within the 2018/19 financial statements.</p>
<p>3. Pension fund liability legal judgement</p> <p>Legal cases were brought against the UK government regarding the transition arrangements made in each of the pensions schemes for judges and firefighters. These arrangements came into effect as part of the move from a Final Salary Pension Scheme to a Career Average Pension Scheme in 2015 and included certain protections for active members of the schemes.</p> <p>The claimants successfully argued, in the resultant Employment Tribunal hearing, that some elements of the protection measures were unlawful on the grounds of age discrimination. The Employment Tribunal's ruling on this matter was upheld by the Supreme Court in June 2019.</p> <p>As this would have an impact on the transition arrangements of all government backed pension schemes, the council instructed, on behalf of CMPA, the actuary to the Strathclyde Pension Fund to quantify the impact on CMPA's pension fund liability. The actuary estimated that the impact from this case is to increase CMPA's pension fund liability by £66,000.</p> <p>The impact of this adjustment resulted in a £66,000 increase to the pension fund liability reported in the Balance Sheet from £0.527 million to £0.593 million, with a matching increase in the unusable pension reserve. This also results in a £65,000 increase in the pension cost charge incorporated within the Comprehensive Income and Expenditure</p>	<p>The financial statements were updated to reflect the impact of the legal judgement on the pension fund liability.</p>

Finding	Resolution
Statement in the accounts. As these adjustments are fully mitigated by a statutory adjustment, they have no impact on the £2,676 deficit reported in the general fund reserve balance in the unaudited accounts.	
<p>4. Cashflow Statement</p> <p>As part of audit work during the year, we had discussions with management on the presentation of the financial statements and the requirement for a Cashflow Statement. CMPA does not have a bank account and all income and expenditure transactions are processed through Renfrewshire Council's (as the administering authority) bank account. The only cash held by CMPA is petty cash which amounted to £1,700 at the year end.</p> <p>As a result, it was agreed that the Cashflow Statement could be removed as the cash held by CMPA was not significant and the Cashflow Statement should only reflect cash transactions processed by CMPA, of which there were none.</p>	The financial statements were updated to remove the Cashflow Statement.
<i>Source: Audit Scotland</i>	

How we evaluate misstatements

26. 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.

Follow up of prior year recommendations

27. We have followed up actions previously reported and assessed progress. Two agreed actions were raised in 2017/18 and both have been fully actioned.

28. As detailed in [Exhibit 2](#), during the 2017/18 audit, we noted that CMPA had incurred expenditure which was capital in nature. The financial statements disclosed that CMPA did not have the power to hold assets, therefore any capital expenditure was treated as revenue expenditure.

29. A similar disclosure issue was identified in respect of CMPA's reserves. The financial statements outlined that the Joint Committee had no specific powers to hold reserves, therefore reserves were 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.

30. The Code of Practice on Local Authority Accounting in the United Kingdom states 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.

31. We recommended that management should review how capital expenditure and reserves were disclosed within the financial statements.

32. For the 2018/19 financial statements, management have revised their accounting treatment and now recognise assets and reserves within the financial statements. As detailed in [Exhibit 2](#), we concluded that CMPA do not have any PPE or intangible assets which required capitalisation. However, management have implemented a policy that will result in capital expenditure being capitalised in

future if requirements are met. The Balance Sheet has been restated to reflect the impact of the change in the reserves accounting treatment.

33. We also recommended that management review the inventories disclosure in the financial statements as this 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, management had made additional disclosures for other balances with a smaller value. Therefore, to be consistent, management should enhance the inventories disclosure.

34. A more detailed note on inventories has been included within the 2018/19 financial statements. This was tested and concluded as being appropriate.

35. Two agreed actions from our 2016/17 audit remained outstanding during our 2017/18 audit. We reviewed progress made by management in addressing these outstanding recommendations as part of our 2018/19 audit. One recommendation remains outstanding as detailed at [Appendix 1](#).

Part 2

Financial sustainability



Main judgements

CMPA incurred a deficit of £2,276 in 2018/19 which is slightly above the budgeted breakeven position. The deficit was managed through the planned use of reserves.

The 2019/20 financial plan is projecting a funding gap of £20,000. To achieve a balanced budget, management intend to mitigate this through the planned use of reserves. Any additional redundancy costs will be met through additional funding from the member authorities.

Future financial planning indicates budget gaps in 2020/21 and 2021/22 of £44,000 and £50,800 respectively. These are also expected to be addressed through efficiency savings.

We made an initial and follow up recommendation in our 2016/17 and 2017/18 Annual Audit Reports respectively, highlighting the need to review and update the Governance Framework. Despite management setting target dates of 31 March 2018 and 31 March 2019 respectively, this review has yet to be completed.

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.

Financial performance in 2018/19

36. 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 £60,000 that management planned to meet through efficiency savings.

37. Actual outturn in 2018/19 was total expenditure of £1.024 million and total income of £1.022 million. This resulted in a deficit of £2,276 for the year compared to a budgeted breakeven position

Short term financial planning

38. The largest source of income for CMPA is requisitions from members of the Joint Committee. Requisition income decreased from £0.693 million in 2017/18 to £0.576 million in 2018/19. 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.

39. The Joint Committee approved the 2019/20 budget in February 2019. However, it was noted within the report that in agreeing the prior 2018/19 budget and associated requisitions, the Joint Committee had agreed that options be developed to address the financial outlook for CMPA due to the reduction in requisition income.

40. At February 2019, as the ongoing service review and associated voluntary redundancy exercise remained in progress and would materially impact the

2019/20 budget position for CMPA, it was proposed that a revised budget be presented to the Joint Committee in June 2019.

41. In June 2019 the Joint committee approved the revised 2019/20 budget. Total budgeted expenditure was £0.944 million and total budgeted income was £0.924 million. This resulted in a budget gap of £20,000 that is to be addressed through the use of reserves. This funding gap is due to anticipated voluntary redundancy costs with any additional redundancy costs incurred being met through additional funding from the member authorities.

Medium to long term financial planning

42. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

43. As part of the budget setting process, revenue estimates are prepared for a three year period. This allows management and members to identify pressures and take early actions to mitigate against these pressures.

44. As part of the service review detailed above revised requisitions are proposed as per the financial principles agreed by the Joint Committee in February 2019 as detailed below:

- the one-off costs of the early release of staff will be funded from reserves in the first instance; with a minimum level of reserves equivalent to 8% of turnover (broadly £75,000) being held in order to mitigate against future financial risks
- early release costs over and above this level are to be funded by each authority in proportion to their requisition level in 2017/18
- reduced costs from the early release of staff will be utilised to address the recurring deficit currently being incurred.
- any opportunity for further reductions in requisition as a result of the voluntary release exercise will be allocated between Inverclyde Council (30%) and Renfrewshire Council (70%) (those proportions being based on 2019/20 requisition). No further requisition reduction will be allocated to North Ayrshire Council on the basis that a 60% reduction in requisition was agreed in 2018/19, with Inverclyde and Renfrewshire Council's reduction being 9.5% respectively.

45. As outlined in paragraph 41, the 2019/20 budget identifies a budget gap of £20,000. The budget also forecasts a budget gap in 2020/21 and 2021/22 of £44,000 and £50,800 respectively. These are also expected to be addressed through efficiency savings.

46. From the work carried out, we have concluded that CMPA has adequate financial planning arrangements in place. Cost and revenue pressures are expected to continue in the medium term. However, the financial planning arrangements in place have allowed management to plan for these pressures and ensure necessary actions are taken when required.

Governance Statement

47. Our review of the Governance Statement assessed the assurances which are provided to the Interim Park Manager and Lead Officer regarding the adequacy and effectiveness of the committee's system of internal control which operated in the financial year. The statement also summarises internal audit findings with the Chief Internal Auditor's annual assurance statement concluding 'that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the Joint Committee's governance framework, risk management and internal control'.

48. 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.

49. 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. In our [2016/17 Annual Audit Report](#), a recommendation was made regarding the policies and procedures within the Governance Framework and their need to be reviewed and updated. This was followed up in our 2017/18 Annual Audit Report and it was confirmed this review was outstanding.



Recommendation 1

Management should make it a priority to complete this review as the current policies and procedures remain out of date and may not reflect the current legislative requirements and CMPA's current situation.

EU Withdrawal

50. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services
- funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports
- regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

51. Renfrewshire Council is the lead authority for CMPA. As a result, CMPA is expected to follow and reflect the work done by the council in preparation for EU withdrawal. As such, assurance can be taken over the work being done at Renfrewshire Council which was considered to be appropriate.

Appendix 1

Action plan 2018/19

No.	Issue/risk	Recommendation	Agreed management action/timing
1 b/f 2016/17	<p>Governance policies and procedures</p> <p>A review of governance policies and procedures was carried out and a number of polices 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>2016/17 recommendation</p> <p>It is recommended that these policies and procedures are reviewed and updated to reflect the current situation of CMPA.</p>	<p>2016/17 management response</p> <p>The following will be reviewed and updated as appropriate:</p> <ul style="list-style-type: none"> • scheme of delegation • contract standing orders • financial regulations and financial codes • minute of agreement <p>Responsible officer: Regional Park Manager</p> <p>Target date: 31 March 2018</p>
	<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>2017/18 recommendation</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>2017/18 management response</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>2018/19 recommendation</p> <p>Management should make it a priority to complete this review as the current policies and procedures remain out of date and may not reflect the current legislative requirements and CMPA's current situation.</p>	<p>2018/19 management response</p> <p>The revised documents will be presented to the three member Council Boards between September and December 2019 and then to the Joint Committee for approval by March 2020.</p> <p>Responsible officer: Interim Park Manager / Lead Officer</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		
<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>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>No unusual or inappropriate transactions were identified as part of our detailed journal testing.</p> <p>A review of accounting estimates did not show any evidence of bias.</p> <p>Focused testing of accruals and prepayments did not identify any balances that were incorrectly held on the Balance Sheet.</p> <p>Focused testing on a sample of transactions outside the normal course of business did not show any evidence of management override of controls.</p> <p>Conclusion: no evidence of management override of controls.</p>
<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 and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>Analytical procedures on income streams.</p> <p>Detailed testing of income transactions focusing on the areas of greatest risk.</p>	<p>Analytical procedures were carried out over all income streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of revenue transactions confirmed these were normal business transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over income.</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>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Analytical procedures were carried out over all expenditure streams and satisfactory responses were provided for all significant variances.</p> <p>Detailed testing of expenditure transactions confirmed these were normal business</p>

Audit risk	Assurance procedure	Results and conclusions
<p>The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. This applies to CMPA due to the variety and extent of expenditure incurred in delivering services.</p>		<p>transactions and had been accounted for in the correct year.</p> <p>Conclusion: no evidence of fraud over expenditure.</p>
<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>Review of the pension actuary and the assumptions made in calculating the estimated pension liability.</p>	<p>A review of the actuary and the assumptions made in calculating the estimated pension liability was carried out and found the approach and assumptions used by the actuary to be reasonable and in line with expectation.</p> <p>Conclusion: the estimates and judgements made to calculate the net pension liability were reasonable.</p>
<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>The overall impact of the move to Business World is an</p>	<p>Gaining an understanding of Business World by reviewing process maps and through discussions with key officers.</p> <p>Detailed testing of significant transactions processed during the change period and rolled forward balances.</p> <p>Review of account/cost code mapping from legacy system to Business World.</p> <p>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.</p>	<p>As part of work on the Renfrewshire Council audit, a review of the process maps and the operation of the key systems was carried out. This was reported in the 2018/19 Management Report for Renfrewshire Council.</p> <p>Detailed testing of transactions processed during the change period and rolled forward balances did not identify any issues.</p> <p>A review of account code/cost code mapping from the legacy system to Business World did not identify any issues.</p> <p>Conclusion: audit work carried out did not identify any issues in the roll forward of balances and mapping of account codes/cost centres to the new system.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>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>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>Review of updates to members and committee papers.</p> <p>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>	<p>From our attendance at Joint Committee meetings and review of minutes, we noted clear revenue estimates are prepared for a three year period. These highlight the financial pressures affecting CMPA and the need to achieve efficiency savings in future years.</p> <p>Action has been taken by management to mitigate the impact of the financial pressures. In addition, there is greater certainty of funding in the shorter term. This provides assurances over the continuation of services and the use of the going concern assumption to prepare the financial statements.</p> <p>Conclusion: while there are financial pressures affecting CMPA, the use of the going concern assumption to prepare the accounts is appropriate.</p>

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

<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>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 higher than planned use of reserves in 2018/19. Going forward, £20,000 of reserves are expected to be used in 2019/20 and efficiency savings are required in 2020/21 and 2021/22 to allow reserves to be maintained at the recommended level of 8% of turnover.</p> <p>Conclusion: CMPA continues to operate in a challenging financial climate, with</p>
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Audit risk	Assurance procedure	Results and conclusions
		difficulties in delivering existing services with the current levels of resources. Management continues to review future savings options.

Appendix 3

Summary of national performance reports 2018/19

2018/19 Reports

Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
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