



## **Dams to Darnley Country Park Joint Committee**

Annual Audit Report to members  
and the Controller of Audit

September 2015



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This report has been prepared for the use of the Dams to Darnley Country Park Joint Committee and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the Dams to Darnley Country Park Joint Committee. The information in this report may be used for the Accounts Commission’s annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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# Key Messages

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<p><b>Audit of financial statements</b></p>	<ul style="list-style-type: none"> <li>• Unqualified independent auditor's report (audit certificate) on the 2014/15 financial statements.</li> <li>• Working papers were of a good standard and officers provided good support which enabled the audit team to complete on-site fieldwork by the planned target date.</li> <li>• All presentation and disclosure issues, identified in unaudited accounts, were corrected by management in audited financial statements.</li> </ul>
<p><b>Financial management and sustainability</b></p>	<ul style="list-style-type: none"> <li>• The 2014/15 financial statements show a surplus of £11,727 compared to a deficit of £71,095 in 2013/14. This was mainly due to the agreed £70,000 contribution from Glasgow City Council. This contribution has been included within Glasgow City Council's base budget and will be recurring after 2014/15.</li> </ul>
<p><b>Governance and transparency</b></p>	<ul style="list-style-type: none"> <li>• Dams to Darnley Country Park Joint Committee had sound governance arrangements in place during 2014/15.</li> <li>• Dams to Darnley Country Park Joint Committee have been in the process of revising their Minute of Agreement since March 2014 and it is recommended that this should be completed during the upcoming year.</li> </ul>
<p><b>Outlook</b></p>	<ul style="list-style-type: none"> <li>• The draft budget for 2015/16 , to be approved at the meeting of the Joint Committee on 23 September 2015, anticipates a deficit of £1,396. It is important that performance against the budget is closely monitored.</li> </ul>

# Introduction

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1. This is a report of our findings from the 2014/15 audit of Dams to Darnley Country Park Joint Committee (the Joint Committee).
2. The management of the Joint Committee is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the Joint Committee, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
6. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2014/15 financial statements

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## Audit opinions

### Audit opinion

- We have completed our audit and issued an unqualified independent auditor's report.

### Going concern

- The financial statements have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the Joint Committee's ability to continue as a going concern.

### Other information

- We review and report on other information published with the financial statements, including the management commentary and annual governance statement. We have nothing to report in respect of these statements.

## Submission of financial statements for audit

7. We received the unaudited financial statements in accordance with the agreed timetable. The working papers were of a good standard, the staff provided good support to the audit team which assisted the delivery of the audit to deadline.

## Overview of the scope of the audit of the financial statements

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan, dated February 2015.
9. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services.
10. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.
11. Appendix 1 sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
12. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

13. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. In addition, a misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law).
14. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
15. We summarised our approach to materiality in our plan. We set materiality for 2014/15 at £1,267. We report all misstatements greater than £100. Performance materiality was calculated at £1,014, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality.

## Evaluation of misstatements

16. No misstatements were identified during the audit which exceeded our misstatement threshold.

## Significant findings from the audit

17. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit:
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
  - Significant difficulties encountered during the audit.
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
  - Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
18. A number of minor presentational and disclosure issues were identified during the course of the audit, which were corrected.
19. During the course of the audit we identified the following significant issue that in our view requires to be communicated to you.

## Significant findings from the audit

Issue	Resolution
<p><b>The Local Authority Accounts (Scotland) Regulations 2014</b></p> <ul style="list-style-type: none"><li>• Due to the timing of their meetings, the Joint Committee were unable to meet to consider the unaudited accounts by 31 August 2015.</li></ul>	<ul style="list-style-type: none"><li>• For 2015/16, other options are being explored in order that the Joint Committee consider the unaudited accounts by 31 August 2016.</li></ul>



## Future accounting and auditing developments

### *Revisions to the Code of Practice*

20. The financial statements of the Joint Committee are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS)

to the local authority context. There are no significant changes to accounting requirements introduced by the 2015/16 Code which are likely to impact on the financial statements of the Joint Committee.

# Financial management and sustainability

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## 2014/15 financial position

21. The 2014/15 financial statements show gross expenditure of £126,730, which was offset by £138,457 of gross income during the year. This led to a balance on the fund at 31 March 2015 of £15,754, an increase of £11,727 from last year due to the surplus on the provision of services in the year.

## Financial management

22. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the officer responsible for finance has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the body
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance

- members provide a good level of challenge and question budget holders on significant variances.

23. The main financial management arrangements for the Joint Committee have been set down in the Minute of Agreement and based on our accumulated knowledge and our review of relevant papers we conclude that the Joint Committee has appropriate financial management arrangements in place.

## 2015/16 and beyond

24. The 2015/16 budget for the Joint Committee has not yet been approved. It is anticipated that it will be approved at the meeting on 23 September 2015. Going forward it is recommended that the budget be approved prior to the start of the financial year. The draft budget for 2015/16 anticipates a deficit of £1,396 and therefore it is important that performance against the budget is monitored closely.

# Governance and transparency

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## Corporate governance

25. Members and management of the Joint Committee are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
26. During the audit, it was noted that the Minute of Agreement had not yet been updated. The Joint Committee formally raised the need to revise the existing Minute of Agreement at their meeting in March 2014. It is recommended that this should be completed and approved during the upcoming year.

## Accounting and Internal control systems

27. In accordance with the Joint Committee's Minute of Agreement, financial transactions are processed through East Renfrewshire Council's and Glasgow City Council's financial systems. Our review of these systems was conducted as part of the audit of Glasgow City Council and consideration was given of the adequacy of the main internal controls system within East

Renfrewshire Council. This was also supplemented by specific work on the Joint Committee's financial statements.

28. We are satisfied with the systems of internal financial controls and the adequacy of the process put in place to obtain the necessary assurances.

## Arrangements for the prevention and detection of fraud

29. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. Auditors review and report on these arrangements.
30. We concluded that there are effective arrangements for the prevention and detection of fraud, although it should be noted that no system can eliminate the risk of fraud entirely.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

31. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider

## Governance and transparency

whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

## Appendix 1 – Audit risks

The table below sets out the audit risks identified in our 2014/15 Annual Audit Plan, how we addressed each risk and our judgement in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusion
<p><b>Requirements of the new accounting regulations:</b></p> <p>The Local Authority Accounts (Scotland) Regulations 2014 have introduced some changes to the contents of the financial statements, the process for approving annual accounts, and the requirements for the publication of the audited annual accounts.</p> <p>There is a risk that the 2014/15 financial statements do not comply with the new accounting regulations.</p>	<ul style="list-style-type: none"> <li>• We liaised with finance officers during the preparation of the financial statements to ensure compliance with the requirements of the 2014 Regulations.</li> <li>• We have carried out an audit of the 2014/5 financial statements and assessed compliance against the requirements of the 2014 Regulations.</li> </ul>	<p>We have raised an issue concerning compliance with the Local Authority Accounts (Scotland) Regulations 2014.</p> <p>Refer paragraph 19</p>

## Appendix 1 – Audit risks

Audit Risk	Assurance procedure	Results and conclusion
<p><b>Management override of controls:</b></p> <p>As is the case in all entities, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>There is a risk of misstated accounting records.</p>	<ul style="list-style-type: none"> <li>• We tested the appropriateness of financial transactions and other adjustments recorded in the financial ledger and financial statements.</li> <li>• We confirmed there were no accounting estimates applied for bias.</li> <li>• We confirmed there were no significant transactions outside the normal course of business.</li> </ul>	<p>We did not identify any instances of management manipulating accounting records or overriding controls.</p>

## Appendix 2 – Summary of local audit reports 2014/15

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