



INFRASTRUCTURE, GOVERNMENT &  
HEALTHCARE

# Mugdock Country Park Joint Management Committee

Annual audit report to the  
members of Mugdock Country  
Park Joint Management  
Committee and the Controller of  
Audit 2006-07

31 October 2007

**AUDIT**



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## **Notice: About this report**

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ('the Code').

It is for the benefit of only Mugdock Country Park Joint Management Committee and is made available to the Accounts Commission and Audit Scotland (all together the beneficiaries), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introductory section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

## **Complaints**

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Grant Macrae, who is the engagement leader for our services to Mugdock Country Park Joint Management Committee, telephone 0131 527 6611, email [grant.macrae@kpmg.co.uk](mailto:grant.macrae@kpmg.co.uk) who will try to resolve your complaint. If your problem is not resolved, you should contact Lorraine Bennett, our Head of Audit in Scotland, either by writing to her at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 222 2000 or email to [lorraine.bennett@kpmg.co.uk](mailto:lorraine.bennett@kpmg.co.uk). We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Director of Audit Strategy, Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.



# Executive summary

This report summarises our work for the 2006-07 year and our findings in relation to our audit of the accounts, corporate governance and performance management arrangements.

## **Accounts**

On 28 September 2007 we issued an audit report giving our unqualified opinion on the accounts of Mugdock Country Park Joint Management Committee for the year ended 31 March 2007.

## **Financial position**

The Joint Management Committee's balance sheet shows total assets of £2,369,554 comprised primarily of the community assets held. The Joint Management Committee's net cost of services in 2006-07 was £511,132. As the Joint Management Committee is required to produce a break-even result year-on-year there is no general fund balance at the year end.

## **Corporate governance**

The 2006-07 statement on internal financial control prepared by management does not disclose any major weaknesses.

In accordance with the Joint Management Committee's minute of agreement, its financial transactions are processed by East Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit. Appropriate checking of the draft financial statements back to these systems was undertaken at the year end. No audit findings relating uniquely to the Joint Management Committee were identified during work carried out at the Council.

# Introduction

## **Audit framework**

This was the first year of our five-year appointment as external auditors of Mugdock Country Park Joint Management Committee ("the Joint Management Committee"). This report to the members of the Joint Management Committee and the Controller of Audit outlines our opinion and conclusions and highlights significant issues arising from our work.

In accordance with Audit Scotland's *Code of Audit Practice* ("the Code"), the scope of the audit was to:

- provide an opinion on the Joint Management Committee's accounts;
- review and report on (as required by relevant legislation, the Code and any guidance issued by Audit Scotland) the:
  - the Joint Management Committee's corporate governance arrangements as they relate to: its review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and its financial position
  - the Joint Management Committee's arrangements to achieve Best Value
  - other aspects of the Joint Management Committee's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources
  - arrangements for preparing and publishing statutory performance information.

Given the relative size of the Joint Management Committee and the way in which its activities are undertaken, we have taken reliance from our audit work on corporate governance and other arrangements undertaken at East Dunbartonshire Council ("the Council") where it was appropriate to do so

## **Basis of information**

External auditors do not act as a substitute for the Joint Management Committee's own responsibilities for putting in place proper arrangements to account for the stewardship of resources made available to it and its financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and to make arrangements to secure Best Value.

## **Acknowledgement**

We wish to place on record our appreciation of the co-operation and assistance extended to us by staff during the first year of our work in the discharge of our responsibilities.

# Accounts audit

## **Audit opinion**

On 28 September 2007 we issued an audit report giving our unqualified opinion on the accounts of the Joint Management Committee for the year ended 31 March 2007.

Our findings on the Joint Committee's accounts production process were made in our report to those charged with governance, issued in draft to management on 27 September 2007 and finalised, following management responses on 10 October 2007.

We wish to bring the following issues to your attention.

## **Compliance with the 2006 SORP**

The Code of Practice on Local Authority Accounting in the United Kingdom 2006 ("2006 SORP") introduced a number of substantive changes to local authority accounting and accounts presentation. The main changes included:

- the removal of the requirement to make a capital financing charge; and
- changes to the format of the core financial statements.

The unaudited accounts of the Joint Management Committee had not been prepared under the requirements of the 2006 SORP, retaining the prior year format. During the audit a number of adjustments were made to bring the accounts in line with the revised format. As a result of the change in accounting policies required by the 2006 SORP, the Joint Committee processed a prior year adjustment to reflect changes in the previously reported financial statements, in line with the requirements of FRS 3 'reporting financial performance.'

As a result of the above, our report to those charged with governance made two recommendations in respect of the accounts production process, both of which were accepted by management.

## **Significant accounting / auditing issues identified**

### **Capital accounting**

All the expenditure which had been capitalised within the unaudited accounts was found to be revenue in nature, and thus adjustments were processed to the accounts to reflect this.

In addition, the Joint Committee had previously classified some of its fixed assets as non-operational. In light of their actual usage, the decision was taken to reclassify these assets, with total net book value of £178,027, as operational land & buildings in 2006-07, with a resulting depreciation charge to the income and expenditure account.

# Financial position

## General fund

The Joint Management Committee reported a net cost of service of £511,132, with a break-even result for the year.

	<b>Actual - £</b>
<b>Income and expenditure result</b>	
Net cost of service	511,132
Income: grants and other income	(130,727)
Income: amount to be met from constituent authorities	(380,405)
<b>(Surplus) / deficit to be met from balances b/forward</b>	<b>nil</b>
General fund balance brought forward	nil
<b>General fund balance carried forward</b>	<b>nil</b>

Other than the income and expenditure results for the year, the Joint Management Committee reported no other gains or losses, or movements on the general fund balance.

The Council acts as permanent employer for all staff members of the Joint Management Committee. Consequently, the Council includes any pension liability for these employees in respect of their participation in the Strathclyde Pension Fund within the Council accounts. The Joint Management Committee accounts reflect the pension contributions for the year of £29,036.

The Council retains the total liability in respect of implementation of the single status agreement, however, the accounts have accrued costs of £18,949 for 2006-07 as the anticipated cost to the Joint Management Committee on settlement of the liabilities.

## Reserves and balances

The Joint Management Committee does not hold a general fund balance at the year end. Its total assets as at 31 March 2007 are £2,369,554 represented by £1,908,060 within the fixed asset restatement account and £461,494 in the capital financing account.

## Future financial plans

The Council funds 87.5% of the Joint Management Committee's operations, with the balance of funding being received from Stirling Council. The Joint Management Committee accounts are consolidated within the Council's group accounts, but not those of Stirling Council. We understand from management that they are considering seeking a review of the minute of agreement to bring full operation of the Joint Management Committee's activities back within the Council's operations.

*Recommendation one*

# Corporate governance

## Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.

The head of finance and ICT at the Council acts as the treasurer of the Joint Management Committee, and has been appointed by the Joint Management Committee as the responsible officer for the administration of its affairs.

The responsibilities of the Joint Management Committee and the treasurer for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements are outlined in the Statement of Responsibilities within the accounts.

The *Code* requires auditors to review and report on the Joint Management Committee's corporate governance arrangements as they relate to:

- the Joint Management Committee's reviews of its systems of internal control, including its reporting arrangements;
- the prevention and detection of fraud and irregularity;
- standards of conduct and arrangements for the prevention and detection of corruption; and
- its financial position.

## Statement of internal financial control

The Joint Management Committee's statement describes the component parts of the internal financial control framework and the process by which the treasurer has reviewed the effectiveness of the internal financial control system enabling him to conclude that reasonable assurance can be placed on the adequacy and effectiveness of the internal financial control system. The statement prepared by the Joint Management Committee expresses its framework of control and is consistent with our understanding of the established framework.

In accordance with the Joint Management Committee's minute of agreement, its financial transactions are processed by East Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit. Appropriate checking of the draft financial statements back to these systems was undertaken at the year end. No audit findings relating uniquely to the Joint Management Committee were identified during work carried out at the Council.

No audit findings relating uniquely to the Joint Management Committee were identified during the work carried out at the Council, however, a number of recommendations to improve the overall control environment within the Council were accepted by management.





### **Prevention and detection of fraud and irregularity**

During 2006-07 we had regard to Statement of Auditing Standards 110: *Fraud and Error* and International standards on Auditing 240: *The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements* when completing our audit work in this area.

From discussion with management and completion of our audit procedures, we have not identified any suspected or actual fraud.

### **Standards of conduct**

The management committee comprises elected members from the Council and Stirling Council, in proportion to the funding received from each authority. Members of the Council are subject to the Code of Member Conduct which sets out the standards of conduct expected of each member in carrying out their duties.

### **Performance management**

The terms of appointment from Audit Scotland include a requirement for a proportion of our audit time to be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non-financial, including both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors.

No performance audit studies were identified by Audit Scotland for the Joint Management Committee during 2006-07.

## Appendix – action plan

Priority rating for performance improvement observations raised		
<p><b>Grade one:</b> Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.</p>	<p><b>Grade two:</b> Issues that have an important effect on internal controls, but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately, but the weakness remains in the system.</p>	<p><b>Grade three:</b> Issues that would, if corrected, improve the internal control in general, but are not vital to the overall system. These are generally issues of best practice that we feel would be of benefit to you if introduced.</p>

No.	Issue and performance improvement observation	Management response	Officer and due date
1	<p>We understand from management that review of the Joint Management Committee's minute of agreement is overdue. It is recommended that this review is conducted as soon as is practically possible.</p> <p><i>(Grade two)</i></p>	Agreed.	<p>Head of Legal and Administration</p> <p>31 March 2008</p>

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