

Clyde Muirshiel Park Authority

Annual report on the 2011/12 audit



Prepared for Members of Clyde Muirshiel Park Authority Joint Committee and the Controller of Audit
October 2012

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Key messages

2011/12 audit findings

We have given an unqualified opinion on the financial statements of the Clyde Muirshiel Park Authority (Authority) for 2011/12, concluding that the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2012 and its income and expenditure for the year.

The 2011/12 final outturn was £46,988 surplus compared to budget of £10,900 surplus. This was due to employee costs being lower than anticipated due to vacancies not being filled and reductions in costs relating to property, travel and supplies and services.

The Authority's balance sheet at 31 March 2012 shows a net liability of £241,654 (2010/11 £17,979), a significant deterioration over the previous year but this is mainly due to the movement in the pension liability during 2011/12; there was an increase in the authority's pension liability of £213,000.

The Authority has previously received funding for a number of projects and creditors include balances of approximately £94,000 but there has been little movement on these balances over the past few years. These balances should be reviewed and assessed as to when the funds can be utilised.

The Authority has been commended for its' work on disability and mental health programmes. It sees these areas as playing an increasing part of the park's work and complementary to its conservation and natural heritage programmes.

Visitor numbers decreased by 6% during 2011/12 compared to a 10% increase in 2010/11, as one centre was closed for most of the 2011 summer but numbers should increase again following improvements to visitor centre facilities.

Outlook

The Authority's financial plans show that requisition income from partner authorities is expected to decrease over the 2012/13 and 2013/14 years. The Authority is working at increasing other income through improving the numbers of visitors and uptake of activities. Managing the cost base and the changing income pattern will be a challenge during the continuing difficult economic conditions.

The 2013/14 work plan is currently being prepared in consultation with members, staff and users of the park and should be ready for the beginning of the 2013 financial year.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Clyde Muirshiel Park Authority Joint Committee (the Authority). The nature and scope of the audit were outlined in the Audit Plan issued to the Treasurer in June 2012 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011. The purpose of the annual audit report is to summarise the auditor's opinions (i.e. on the financial statements) and conclusions, and to report any significant issues arising. The report is divided into sections which reflect the public sector audit model.
2. Appendix A is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Authority understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
3. This report is addressed to the members and the Controller of Audit and should form a key part of discussions with audit committees, either prior to, or as soon as possible after, the formal completion of the audit of the financial statements. This report should be available to the Scottish Parliament, other stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
4. This report will be published on our website after consideration by the Authority. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
5. The Treasurer is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. The auditor is responsible for auditing and expressing an opinion on the financial statements. Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

6. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
7. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
8. The accounts of the Authority are to be prepared in accordance with the Code of Practice on Local Authority Accounting 2011/12 (the 2011/12 Code).
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the statement on internal financial control and the remuneration report.

Audit opinion

10. We have given an unqualified opinion on the financial statements of the Authority for 2011/12, concluding that the financial statements:
 - give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2011/12 Code, of the financial position of the Authority as at 31 March 2012 and its income and expenditure for the year then ended
 - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Legality

11. Through our planned audit work we consider the legality of the Authority's financial transactions. In addition the treasurer has confirmed that, to the best of her knowledge and belief the financial transactions of the Authority were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Going concern

12. The net liability of the Authority has increased from £17,979 as at 31 March 2011 to £241,654 as at 31 March 2012. The increase is predominantly due to a £213,000 rise in the Authority's net pension liability. A material net liability can highlight a potential going concern issue however we recognise that the appointed actuary is of the view that the asset holdings of the Strathclyde Pension Scheme and the contributions from employees and employers together with planned increases in contributions provide sufficient security over future liabilities. In

light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

Statement on the system of internal financial control

13. We reviewed the statement on the system of internal financial control (SSIFC) and confirm that it complies with the 2011/12 Code. The statement reports that the Authority has in place a sound system of internal financial control which is in line with findings from our tests of controls and also with the findings of internal audit.
14. However, we consider the process put in place by the Authority to obtain the necessary assurances for the SSIFC could be improved. The statement is supported by the Renfrewshire Council directors' certificates of assurance, since the Authority use these systems, but the park manager does not provide a certificate of assurance. We consider this should be reviewed as there are some financial systems which are local to the body, for example income collection and operation of the café.

Refer Action Plan no. 1

Remuneration report

15. We are satisfied that the remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. The disclosures within the 2011/12 financial statements include all eligible remuneration for the relevant Park officers.

Accounting issues

16. The Authority is required to follow the 2011/12 Code. We are satisfied that the Authority prepared the 2011/12 financial statements in accordance with the 2011/12 Code.

Accounts submission

17. The Authority's financial statements were submitted to the Controller of Audit by the deadline of 30 June 2012. Final accounts preparation procedures and working papers were generally of a good standard and officers were helpful in dealing with queries during the audit.
18. We issued our report on the audit of the financial statements (in compliance with the International Auditing Standard 260) on 25 September, which indicated our intention to give an unqualified opinion on the financial statements for the Authority. The audit certificate was duly signed off on 28 September 2012.

Presentational and monetary adjustments to the unaudited accounts

19. The audit resulted in mainly presentational and other minor changes, the main ones being adding comparative 2010/11 figures for the Movement in Reserves Statement and including vehicle operating leases figures in the lease note.

Financial position

20. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
21. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
22. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

23. In 2011/12 the Authority generated an accounting surplus on the provision of services of £75,312 as shown in the Comprehensive Income and Expenditure Statement. The surplus as presented in the treasurer's foreword in the financial statements of £46,988 is different because it is prior to items such as pension adjustments and employee leave accrual. As the budget is prepared without these adjustments it is appropriate for the analysis in the foreword to be presented in this way.

Budgetary control

24. The budget for 2011/12 was £10,900 surplus and the final outturn was £46,988 surplus. This was largely due to employee costs being lower than anticipated due to vacancies not being filled and reductions in costs relating to property, travel and supplies and services. As at 6 January 2012, budget monitoring reports projected the year-end surplus as £55,000, with the final position being slightly less, showing that the Authority was close to predicting final outturn position during the year.

Financial position

25. The Authority's balance sheet at 31 March 2012 reported net liabilities of £241,654 (2010/11 £17,979), a significant deterioration over the previous year but this is mainly due to the movement in the pension liability during 2011/12. The significant increase in the council's pension liability of £213,000 is attributable to lower than expected investment performance and a decrease in the discount rate. The liability is based on actuarial valuations and reflects on the triennial valuation results as at 31 March 2011.

26. In the covering report to the 2011/12 revenue estimates, the Treasurer recommended that minimum available funds should be in the region of 2% requisition levels - between £20,000 and £25,000. The level of revenue 'reserves' held by the Authority at 31 March 2012 was £65,403. This represents an improved position from a year previous when the reserve was in a position of £18,415. The Authority expects further pressures for 2012/13 onwards, where the scope for savings will be limited combined with reduction in requisitions level. As the Authority is not permitted to hold reserves, these funds are disclosed within the creditors' line on the face of the balance sheet (as the funds are in a surplus position and are in effect owed back to the member authorities).
27. The Authority has received funding for a number of projects and creditors include balances on these projects. As Exhibit 1 shows balances for three projects have moved very slightly, or increased over the past few years. We have confirmed there has been very little movement during the 2011/12 financial-year on these projects. These balances should be reviewed and assessed as to when the funds can be utilised.

Refer Action Plan no. 2

Exhibit 1: Year-end balances on projects

Balance at year-end	SRANI loch footpath	Juniper Footpath	Park access
2009	-	£13,142	-
2010	£45,704	£14,478	£10,550
2011	£45,704	£18,624	£28,441
2012	£45,549	£18,579	£29,863

Source: Clyde Muirshiel Park Authority Annual Accounts 2011/12 and 2010/11

2012/13 budget

28. The Authority's 2012/13 budget is set at a surplus of £18,700. In setting this budget it is assumed that both employee and other costs remain unchanged (zero inflation), whilst income from services is expected to increase by 2.5%. In general, there has been no increase to the charges for 2012/13 and the Authority is working to increase volume of activity across retail, catering and activities to maximise income levels. In addition it continues to seek additional external grants. This budgeted increase in income is to help offset reductions in the level of requisitions of 1.7% from constituent authorities.

2012/13 budget reporting

29. As at 20 July 2012 there was a net under spend of £15,000 primarily due to under spends on employee and property costs but the projected outturn remains at £18,700 surplus.

Financial forecasts beyond 2012/13

30. There continues to be pressure on financial position at requisition authorities and requisition levels for 2013/14 will be further decreased by 1.7% to £1,022,200, with no change planned for 2014/15. Uncertainty over future employee costs remains but a small increase is assumed for in the budgets. Increased employee costs, together with decreased requisition income puts pressure on the Authority to increase its income across activities. However, increasing activity during the continued difficult economic conditions will be challenging and we will continue to monitor financial outturn and position.

Governance and accountability

31. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
32. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
33. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption
34. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

35. Following the May 2012 elections new members were appointed to the Authority: three members from Renfrewshire Council, two members from Inverclyde Council and one member from North Ayrshire. The first meeting following the election took place in June, at which the park manager and park employees presented on the work undertaken in the park.

Internal control

36. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
37. With Renfrewshire Council being the host authority, all financial transactions of the Authority are processed through the financial systems of the council and are subject to the same controls and scrutiny of the council including regular reviews of internal audit. We assess the work of internal audit and where possible place reliance on their work. For 2011/12 we placed reliance on their testing on council systems e.g. payroll and treasury management and on Income and stock control at the Authority.

38. In the Internal Audit Annual Report 2011/12, the Chief Auditor concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the Authority's internal, risk management and governance arrangements. Internal Audit reported that improvements could be made on approval processes and we adjusted our audit approach accordingly. Overall the Statement on the System on Internal Financial Control reports that there were no identified material weaknesses and we concur with this conclusion.
39. Internal audit work planned for 2012/13 includes a review of ICT security arrangements and we will consider the results of this work as part of our planning for 2012/13.

Prevention and detection of fraud and irregularities

40. Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. A risk for the Authority is the potential breakdown of controls over income collection and stock control. Internal audit reviewed these areas in 2012/13 and reported that key controls over income monitoring and banking were operating satisfactorily but improvements were required over cash handling and security. Internal audit plan further work on income collection in 2012/13 and we will monitor results as part of our audit.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

41. 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 whether bodies have adequate arrangements in place. The personnel policies of Renfrewshire Council continue to be applied. We have concluded that the arrangements at the Authority are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Best Value, use of resources and performance

42. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value.
43. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
44. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
45. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
46. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
47. This section includes a commentary on the performance management arrangements within the Authority and note any headline performance outcomes/ measures used by the Authority.

Management arrangements

48. The work of the Authority is underpinned by its strategy documents. The 2008-2011 strategy was extended and the 2013/14 work plan is currently being prepared for the members' meeting in December to allow it to be published for the beginning of the new financial year.

Community/user engagement

49. The Authority established a park consultative forum five years ago and it is consulted at least annually on the work of the park. In September 2012 members were advised of the consultation approach to the 2013/14 Park work plan. The park manager arranges a series of meetings with stakeholders and staff. Stakeholders include members and officers from the constituent authorities but also user groups e.g. loch users' group and moorland management group.

Overview of performance in 2011/12

50. The work of the Authority is led by the senior management team, which consists of the park manager, assistant managers (job-share) and the development and marketing officer. They collect and monitor information across a range of activities from finance, visitor numbers, health and safety, to issues such as conservation and impact of growing number of wind planning applications. The Authority uses the Ranger Service Output measures, which are collated and sent to Scottish Natural Heritage.
51. The park manager reports on the work of the Authority through the Annual Report. The 2011/12 report highlights some key developments, including:
 - the Authority's work on delivering mental health programmes being recognised at a national awards event
 - Castle Semple Centre being recognised as a "Centre of Excellence" for its work with disability sailing
 - ongoing work in improving access for all to the park
 - improvements made to the park though working with partners who have funded specific projects e.g. Forestry Commission.
52. The Authority estimates that it has approximately 1.5 million users per year but the number of visitors into park centres has decreased to approximately 97,000 from over 100,000 in previous years. This is primarily due to 4,000 fewer visitors to Muirshiel Centre, as a result of the centre being closed for most of July – September because of a water supply problem.
53. Charges for activities were reviewed for 2012/13 and prices generally did not increase, which the Authority hopes will lead to increased uptake of activities and services at the park.

Lunderston Bay

54. In previous years we have noted the concerns by the Authority in developing services at this site due to the standard of facilities provided by Inverclyde Council and delays with finalising lease agreements.
55. There have been recent developments that should improve progress. In 2012/13 improvements will be made to toilets and staff accommodation, following recent approval by Inverclyde Council. This has allowed lease negotiations to progress and a management plan has been agreed between Inverclyde Council and the Authority for the delivery of services and maintenance responsibilities.
56. The park manager continues to update members on progress on a regular basis and we will monitor progress as part of 2012/13 audit.

Appendix A: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	14	<p>SSIFC assurances</p> <p>There is no separate assurance statement obtained from the park manager covering systems specific to the Authority.</p> <p>Risk – insufficient arrangements around obtaining assurances for SSFIC.</p>	Internal Audit will review arrangements with the Park Manager in time for preparing the 2012/13 annual accounts.	Chief Auditor and Park Manager	30 May 2013
2	27	<p>Creditor balances</p> <p>Balances for three projects have moved very slightly, or increased over the past few years and there has been very little movement during the 2011/12 financial year.</p> <p>Risk - the Authority may have to return funds/grants if there are any conditions to applying the funds within specific time periods.</p>	The balances will be reviewed and discussed with finance officers to agree plans to utilise funds.	Park Manager and Treasurer	31 March 2013