

Dams to Darnley Country Park Joint Committee

Annual report on the 2011/12 audit



Prepared for Members of Dams to Darnley Country Park Joint Committee and the Controller of Audit
31 October 2012

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Key messages

2011/12

In 2011/12 we audited the financial statements and looked at aspects of governance within Dams to Darnley Country Park Joint Committee. This report sets out our main findings.

Overall, we found the financial stewardship of the Joint Committee during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- an unqualified opinion has been issued on the financial statements for 2011/12
- the Joint Committee has a sound corporate governance framework.

Outlook

Funding for 2012/13 has been secured. However, the agreed funding for the project works included in the recently updated Management Plan is less clear. The known sources of funding for project works are the Joint Committee's accumulated surplus and capital allocations from East Renfrewshire Council and Glasgow City Council. However, as the balance of the accumulated surplus at 31 March 2013 is estimated to have reduced to £75,000, additional funding may need to be identified to allow the management plan to be implemented in full.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of Dams to Darnley Country Park Joint Committee. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of the Joint Committee.
3. There is an action plan at Appendix B which sets 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 Dams to Darnley Country Park Joint Committee understands its risks and has arrangements in place to manage these risks. The Accountable Officer and members of the committee should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to Dams to Darnley Country Park Joint Committee and the Controller of Audit and should form a key part of discussions with the committee, as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website (<http://www.audit-scotland.gov.uk>) after consideration by the committee.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our 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

7. 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.
8. We 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.
9. We review and report on, as appropriate, other information published with the financial statements, including the foreword, statement on internal control and the remuneration report. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of Dams to Darnley Country Park Country Park Joint Committee for 2011/12 give a true and fair view of the state of the body's affairs and its net deficit on the provision of services for the year.
11. We also confirmed that information given in the foreword was consistent with the financial statements.

Legality

12. Through our planned audit work we consider the legality of the Joint Committee's financial transactions. In addition, as the lead authority for financial services, Glasgow City Council's Executive Director of Financial Services has confirmed that, to the best of her knowledge and belief, and having made appropriate enquiries of the country park's management team, the financial transactions of the country park 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

13. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. The Joint Committee has considered it appropriate to adopt a going concern basis for the preparation of the financial statements.

Statement on the System of Internal Financial Control

14. The country park's financial transactions are processed through both East Renfrewshire Council and Glasgow City Council's financial systems. Our review of these systems was

conducted as part of the audits of the respective councils, supplemented by specific audit work on the Joint Committee's financial statements.

15. We are satisfied with the disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place by the Joint Committee to obtain the necessary assurances.

Remuneration report

16. As the Joint Committee's senior management are all East Renfrewshire Council employees and no one in the project team is paid more than £50,000, we are satisfied that there is no requirement to include a remuneration report in the financial statements, as set out in the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. A disclosure note has been inserted to explain this position.

Accounting issues

17. Local authorities and joint committees in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). We are satisfied that the Joint Committee prepared the 2011/12 financial statements in accordance with the Code and in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Accounts submission

18. The Joint Committee's financial statements were submitted to the Controller of Audit by the deadline of 30 June.

Presentational issues

19. The country park is a Joint Committee of two councils, Glasgow City Council and East Renfrewshire Council. There has been expenditure incurred by both councils on capital projects within the country park but these assets remain in the ownership of the individual councils. We are satisfied that the non-current assets created or enhanced by this expenditure do not require disclosure within the accounts of Dams to Darnley Country Park.
20. The Code requires bodies to provide for liabilities arising from employee benefits payable at the balance sheet date. This includes items such as untaken annual leave and flexitime. As service staff are employed by East Renfrewshire Council rather than the body itself, and their costs recharged, any associated employee benefit liability is reflected in East Renfrewshire Council's financial statements as part of their assessment of liabilities. The narrative notes to the financial statements reflect this arrangement. We are satisfied that the approach adopted complies with the requirements of the Code.

Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
22. We 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.
23. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results and financial position

24. In 2011/12 the Joint Committee generated a deficit on the provision of services of £122,348 compared to a deficit of £80,384 in 2010/11.
25. The Joint Committee's balance sheet as at 31 March 2012 recorded net assets and an accumulated surplus of £147,447, a reduction of £122,348 reflecting the deficit on the provision of services for the year.

Outlook

Budget 2012/13 and financial plans

26. The 2012/13 budget for the country park was agreed by members on 16 April 2012. The agreed budget is projecting a £72,000 deficit for 2011/12, further reducing the fund balance to approximately £75,000 by 31 March 2013.
27. The committee has approved an updated development and management plan for the country park. Funding for 2012/13 has been secured. However, funding beyond 2012/13 remains unclear.
28. From the updated management plan presented to the committee in September 2012, which covers the period up to 2016, it is estimated that £343,050 will be required to cover costs associated with project works, and a further £317,950 will be required for the staff costs. These costs will require to be met from the funds available to the project and additional funds that still have to be secured over this period.
29. The funding for the project works will be made up of the Joint Committee's accumulated surplus and capital allocations from East Renfrewshire Council and Glasgow City Council if approved. However, with the balance of the accumulated surplus estimated to be £75,000 by

the end of 2012/13, additional funding will need to be identified to allow the management plan to be implemented in full.

[Refer action plan no.2](#)

Governance and accountability

30. 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.
31. 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 in monitoring these arrangements.
32. Consistent with the wider scope of public audit, we 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
33. In this part of the report we comment on key areas of governance.

Corporate governance

Overall effectiveness

34. We found that, overall, corporate governance arrangements operated effectively during 2011/12.

Relationship with host authorities

35. The Joint Committee has a responsibility to put in place arrangements for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice. As auditor we have responsibility to report on the Joint Committee's corporate governance arrangements and review the statement on the system of internal financial control.
36. In accordance with the Joint Committee's minute of agreement, financial transactions are processed through East Renfrewshire Council and Glasgow City Councils' financial systems. It is the responsibility of the councils' management to maintain adequate financial systems and associated internal controls, both for the purpose of giving an opinion on the statements of accounts, and in order to report on the adequacy of such systems and controls.
37. Our review of these systems was conducted as part of the audits of East Renfrewshire Council and Glasgow City Council and supplemented by specific audit work on the Joint

Committee's financial statements. Our conclusions are that East Renfrewshire and Glasgow City Councils' financial systems are adequate for the purpose of producing the financial statements. No areas of significant concern were identified relating to the transactions.

38. The statement on the system of internal financial control states that reasonable assurance can be placed upon the adequacy and effectiveness of the Joint Committee's internal financial control system. The statement complies with accounting requirements and is consistent with the findings of our audit.

Budgetary control and performance reporting

39. The 2011/12 revenue and capital budgets were not approved by members of the interim committee until October 2011, seven months after the start of the financial year. We therefore welcome the improved position in 2012/13, with the budget for the country park being agreed by members on 16 April 2012. As part of our annual audit plan, we noted that written budget monitoring reports should be provided to members, together with further development of reporting against the aims and objectives of the park. We note that, as yet, regular reporting of this nature has not been further developed.

Refer Action plan no. 1

Prevention and detection of fraud and irregularities

40. The arrangements established for the prevention of fraud and irregularities have been considered by the audits of the host authorities (e.g. Fraud policy, Whistleblowing policy, etc.) There are no matters that we wish to bring to the attention of the Joint Committee.

NFI in Scotland

41. Both host authorities participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error (matches). Where matches are identified public bodies are expected to investigate these and if fraud and error has taken place, to stop payments and attempt to recover the amounts involved. The exercise also provides assurance on the effectiveness of arrangements and helps deter fraud.
42. Results were published by Audit Scotland in May 2012 in a report on the NFI. This highlighted that fraud, overpayments and recoveries totalling £19.8 million had been identified across Scotland in the most recent exercise and outcomes of £78 million had been achieved since NFI was first introduced. The report also contained a self-appraisal checklist that all participants are recommended to use prior to the start of the next exercise in October 2012.
43. The outcomes for the recent exercise will be reported through the audits of the host authorities, but there are no matters that we wish to bring to the attention of the Joint Committee.

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

44. 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. We consider whether bodies have adequate arrangements in place.
45. For the purpose of the appointment to audit the financial statements of the Dams to Darnley Country Park Joint Committee, such arrangements have been considered in the audits of the host authorities.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

46.

Title of report or opinion	Date of issue
Annual Audit Plan	27 February 2012
Report on financial statements to those charged with governance	17 September 2012
Audit opinion on the 2011/12 financial statements	19 September 2012
Members Report	31 October 2012

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	38	<p><i>Budgetary control and performance reporting</i></p> <p>The 2012/13 revenue and capital budgets were approved by members of the committee in April 2012, however no update on progress against budget for 2012/13 has been supplied to members to date; nor has there been a formal report on progress against objectives.</p>	It is intended to produce a financial monitoring report including a section on progress at the next meeting.	J Shevlin	Jan 2013
		<p>Performance against budget and objectives should be formally reported to members on a timely basis.</p>	It is intended to produce quarterly reports.	J Shevlin	Jan 2013
2	28	<p><i>On-going funding</i></p> <p>The balance of the Committee's accumulated surplus is reducing and additional funding may be required to allow the management plan for the park to be implemented in full.</p>	Annual review of management plan including financial projections to be prepared for Joint Committee meeting of March/April 2013.	Stephen McHenry East Renfrewshire Council, Fiona Campbell Glasgow City Council and John Shevlin Glasgow city Council.	March 2013