



# Mugdock Country Park Joint Management Committee

## Annual report on the 2011/12 audit



Prepared for Members of Mugdock Country Park Joint Management Committee and the Controller  
of Audit

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 Mugdock Country Park Joint Management Committee (the 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.
- Final accounts preparation procedures and working papers were of a good standard and this enabled the audit to progress smoothly.
- The Joint Committee has a sound corporate governance framework.

We are also satisfied with disclosures made in the statement on the system of internal financial control.

The outlook for all public sector organisations is challenging. The Scottish Government's spending plans for the next four years show a cumulative real term reduction in the Scottish Budget of 12.3% by 2014/15. Local Government funding overall reduced by 3% between 2011/12 and 2012/13 and cumulatively by 6.3% by 2014/15.

It is possible that the Joint Committee will have to deal with budget reductions whilst at the same time meeting their statutory duty to secure best value.

Continued regular review and updating of the financial strategy in place will help ensure the Joint Committee target the available financial resources at achieving objectives.

# Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of the Mugdock Country Park Joint Management Committee. The nature and scope of the audit were outlined in the Audit Plan presented to management in February 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.
2. The members and officers of the Joint Committee are 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

3. 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.
4. 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
  - the regularity of the expenditure and income (except for local government bodies).
5. Auditors review and report on, as appropriate, other information published with the financial statements, including the assessor's report, treasurer's report, statement on the system of internal financial control and the remuneration report. This section summarises the results of our audit on the financial statements.

## Audit opinion

6. We have given an unqualified opinion on the financial statements of the Joint Committee 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 Joint Committee 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

7. Through our planned audit work we consider the legality of the Joint Committee's financial transactions. In addition the Treasurer has confirmed that, to the best of his knowledge and belief the financial transactions of the Joint Committee 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.

## Statutory objection

8. Citizens have the right to make a statutory objection under section 101(2) of the Local Government (Scotland) Act 1973. No objections were received in relation to the Mugdock Country Park Joint Committee 2011/12 financial statements.

## Going concern

9. 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 of the system of internal financial control

10. We are satisfied with the disclosures made in the SSIFC and the adequacy of the process put in place by the Joint Committee to obtain the necessary assurances. The statement reports that the Joint Committee 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. We do however note that there are weaknesses identified in the East Dunbartonshire Council SSIFC. We do not consider that the weaknesses identified will have a material impact on the Joint Committee's financial statements.

## Remuneration report

11. As the Joint Committee's senior management team are all East Dunbartonshire Council employees and none of the project team are 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.

## Accounting issues

12. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011 Code). We are satisfied that the Joint Committee prepared the 2011/12 financial statements in accordance with the 2011 Code.
13. The country park is a Joint Committee of two councils, East Dunbartonshire Council and Stirling Council. There has been expenditure incurred by both councils on capital projects within the country park but title to these assets remains in the ownership Stirling Council. However, as East Dunbartonshire Council have beneficial use of these assets, the assets are consolidated into the East Dunbartonshire Council accounts. Further to this, East Dunbartonshire Council have a long-term lease arrangement for these assets until 2049. On this basis we are satisfied that the non-current assets created or enhanced by this expenditure do not require disclosure within the accounts of Mugdock Country Park Joint Management Committee.
14. 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. However, service staff are employed by East Dunbartonshire Council. Any associated employee benefit liability is reflected in East Dunbartonshire 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.

### Accounts preparation & submission

15. The Joint Committee's financial statements were submitted to the Controller of Audit by the deadline of 29 June 2012.
16. Final accounts preparation procedures were generally of a good standard. There was a significant improvement in the quality and availability of working papers in comparison to the prior year. The audit resulted in mainly presentational and other minor changes.
17. All errors identified during the audit have been corrected and therefore there are no unadjusted misstatements to bring to your attention.
18. We issued our report on the audit of the financial statements (in compliance with the International Auditing Standard 260) on 19 September 2012 which indicated our intention to give an unqualified opinion on the financial statements for the Joint Committee. The audit certificate was duly signed off on 20 September 2012.



# Financial position

19. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
20. 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.
21. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the Joint Committee.

## Financial results

### Financial position

22. In 2011/12 the Joint Committee generated a deficit on the provision of services of £33,147 compared to a surplus on provision of £25,066 in 2010/11.
23. The Joint Committee's balance sheet as at 31 March 2012 reflected net assets of £0, as a result of a temporary advance from East Dunbartonshire Council of £3,057. This balance reflects the balance of funding due to the Committee in respect of the Council's share of its net operating costs for the year. The overall net asset position is consistent with that in 2010/11.

## Outlook

### 2012/13 budget

24. Looking ahead, it is clear that the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. The Joint Committee will continue to face financial constraints which may increase the pressure on them to deliver their statutory duties and meet their established performance targets. The Joint Committee will need to be prepared to face the challenging financial environment ahead.

**Action Plan 1**

# Governance and accountability

25. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. Based on work carried out by ourselves during the risk assessment stage of our audit, we acknowledge that the Joint Committee has in place a number of plans, policies and procedures (such as the 3-year service plan, risk register, financial regulations and procedural standing orders).

## Internal control

26. 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.
27. In accordance with the Joint Committee's minute of agreement, financial transactions are processed through East Dunbartonshire Council's 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.
28. Our review of these systems was conducted as part of the audit of East Dunbartonshire Council and supplemented by specific audit work on the Joint Committee's financial statements. Our conclusions are that East Dunbartonshire Council's financial systems are adequate for the purpose of producing the financial statements. No areas of significant concern were identified relating to the Joint Committee transactions tested.
29. 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.
30. Internal audit did not carry out any specific work in relation to the Joint Committee in 2011/12. Due to this, assurances on the systems of internal control were unable to be taken. As the Joint Committee rely on the same internal controls operated by East Dunbartonshire Council, additional testing was carried out prior to the year-end in order to obtain the necessary assurances.

# 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	24	<p>Looking ahead, it is clear that the outlook for public spending for the period 2012/13 to 2014/15 remains very challenging. The Joint Committee will continue to face financial constraints which may increase the pressure on them to deliver their statutory duties and meet their established performance targets.</p> <p><b><i>Risk: There is a risk that the Joint Committee may not be fully prepared to face the challenging financial environment ahead. This could have a significant impact on the Joint Committee's capability of meeting established performance targets.</i></b></p>	<p>Management action will be informed by budgeting and accounting for Mugdock Country Part being integral to the arrangements for East Dunbartonshire Council and by maintenance of close contact with Stirling Council at officer and political level.</p>	Ian Black, Treasurer	31/3/13