

# Clyde Muirshiel Park Authority

## Annual report on the 2012/13 audit



Prepared for Members of Clyde Muirshiel Park Authority Joint Committee and the Controller of Audit  
October 2013

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Key Messages

## 2012/13

We have given an unqualified opinion that the 2012/13 financial statements of Clyde Muirshiel Park Authority Joint Committee (CMPA) give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The 2012/13 final outturn was £4,863 deficit, on income and expenditure of £1.5 million, compared to a budget of £18,700 surplus. The difference was due to increased costs on employee and transport costs.

Expenditure on specific projects, matched by grant funding increased significantly as CMPA looked to increase other sources of income as requisition income from partner local authorities decreases.

CMPA's balance sheet at 31 March 2012 shows a net liability of £392,133 (2011/12 £241,654), a significant deterioration over the previous year but this is mainly due to the increase in the pension liability of £160,000.

Overall the system of internal control and arrangements for the prevention and detection of fraud were satisfactory during 2012/13.

Each year, the park manager's annual report describes the work in the park, the level of visitors and the various initiatives taking place to encourage more visitors of the park area and facilities. The report highlights that numbers into visitor centres increased by 10%.

## Outlook

CMPA's financial plans show that requisition income from partner authorities will decrease for 2013/14 and remain at the same level in 2014/15. CMPA continues to try and increase other income through improving the numbers of visitors, uptake of activities and seeking third party grant income from other public bodies. Managing the cost base and the changing income pattern will be a challenge during the continuing difficult economic conditions.

For the past couple of years partner authorities have been looking into possible changes to the governance arrangements for the park. In December 2012 CMPA members formally agreed that Renfrewshire Council, in consultation with partner authorities undertake a review of the existing management and governance structure for CMPA with a view to identifying efficiency and income generation opportunities. A report is expected in late 2013.



# Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Clyde Muirshiel Park Authority Joint Committee (CMPA). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the 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 prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of CMPA and no responsibility to any third party is accepted.
3. This report is also addressed to the Controller of Audit and will be published on our website after consideration by CMPA. The information in this report maybe 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.

# Matters to be reported

## Conduct and scope of the audit

4. 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 issued to the Treasurer on 21 March 2013 and presented to the Joint Committee on 28 June 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
5. 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. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any additional work outwith our planned audit activity the fee remains unchanged.

## Audit opinion & accounting issues

6. We have given an unqualified opinion that the financial statements of CMPA for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 26 September 2013.
7. We received the unaudited financial statements on 18 June 2013, in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team which enabled us to complete our on-site fieldwork by the planned target date.
8. CMPA is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code) and we can confirm that the financial statements have been properly prepared in accordance with the 2012/13 Code.

## Significant findings

9. The most significant changes, required to the financial statements as a result of the audit process and under the accounting guidelines, were outlined in our International Standard on Auditing (ISA) 260 report, issued to management on 20 September 2013.
10. A small number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with senior finance officers who agreed to amend the unaudited financial statements. One minor monetary error was identified which was not processed through the financial statements by management. If adjusted this would have a net effect of increasing debtors and income by £4,051. This error arose due to more accurate information becoming available on a grant claim after officers had prepared the accounts and submitted them for audit.

## Financial results

### 2012/13 Outturn

11. In 2012/13 CMPA reported an accounting surplus on the provision of services of £8,658 as shown in the Comprehensive Income and Expenditure Statement. The deficit as presented in the treasurer's foreword in the financial statements of £4,863 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.
12. The 2012/13 budget was for a surplus of £18,700 and comparing to the deficit of £4,863 results in an overspend £23,563. The overall overspend was mainly attributable to:
  - overspend of £152,777 on supplies and services for projects including improvements to footpaths and access (matched by increased income).
  - overspend of £34,429 on administrative costs due to increase in advertising and support service charges costs
  - overspend of £21,425 on employee cost due to higher than expected casual staff cost and activity in the park
13. The overspend was partly netted off by sales, fees and charges income being higher by £33,171 mainly due to improved marketing of activity courses, introduction of disability sailing and an increase in the number of visitors. This increase in income was greater than the planned reduction in requisition income of 1.7% (£18,000).
14. Compared to the previous year, 2012/13 total expenditure in the Comprehensive Income and Expenditure Statement increased by £192,889. (14%). This reflected a significant increase in suppliers and services cost as noted above.
15. Miscellaneous income increased due to recognition of the project income to match project spend during the year. Last year we reported that CMPA has a number of creditor balances consisting of monies in relation to different projects which appeared to have not been utilised by CMPA over a few years. In 2012/13 CMPA reviewed their projects and started utilising these balances on the projects and therefore recognised them both as expenditure and income which gives nil effect on the outturn position.

### 2012/13 financial position

16. The balance sheet at 31 March 2013 shows net liabilities of £392,133 (at 31 March 2012 £241,654), a significant deterioration over the previous year but this is mainly due to the increase in the pension liability to £371,000 (at 31 March 2012 £211,000). The liability is based on actuarial valuations and the significant increase is attributable to changes in the pension fund actuary's assumptions: higher pension and salary increase rates and lower expected return on pension assets.



17. A material net liability can highlight potential going concern issue however, we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

## Financial planning

18. CMPA's income and expenditure have been projected in its Revenue Estimates for a two-year period up to 2014/15 based on predicted levels of operating income and expenditure and with the assumption of 1.7% reduction to requisition income for 2013/14 and no further decreases or increases in 2014/15.
19. In February 2013 members approved the 2013/14 budget to be for £6,600 deficit (based on expenditure of £1.3 million). The only area of expenditure with an increased budget is staff costs (increase of £15,000). On the income side, other income is budgeted to increase by £11,000 to help offset the £18,000 decrease in requisitions.
20. CMPA managed to increase activity in the park last year and income from sale, fees and charges exceeded budget. The financial position remains challenging, with ongoing pressure to increase income combined with increasing cost pressures to market the park and pay for all the employee costs to run all the activities.
21. The most recent financial monitoring report for 2013/14 highlighted that, as at 16 August 2013, CMPA was showing a breakeven position and still forecasting a small overspend, in line with the agreed budget.

## Corporate governance and systems of internal control

### Overall governance arrangements

22. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and we consider that CMPA has sound governance arrangements in place.

### Accounting and internal control systems

23. 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.
24. With Renfrewshire Council being the host for CMPA, all financial transactions of CMPA 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 2012/13 we placed reliance on their testing at the council. Internal audit reported on some system weaknesses

on trade payables and we carried out additional substantive testing and results were satisfactory.

25. In the Internal Audit Annual Report 2012/13, the Chief Internal Auditor concluded that reasonable assurance can be placed upon the adequacy and effectiveness of CMPA's internal control, risk management and governance arrangements. Her report also highlighted improvements required on ICT security arrangements.
26. In August 2012 Internal Audit reported on ICT Security Arrangements at CMPA and identified a number of ICT issues including weaknesses in relation to personal information storage, backup procedures and mobile devices arrangements. An action plan was agreed with management and internal audit will follow-up on work carried out.

### Prevention and detection of fraud and irregularity

27. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud within CMPA are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

### Standards of conduct and arrangements for the prevention and detection of corruption

28. 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. No issues have been identified by us for inclusion in this report.

### Outlook

29. For the past couple of years partner authorities have been looking into possible changes to the governance arrangements for the park. In December 2012 CMPA members formally agreed that Renfrewshire Council, in consultation with member authorities undertake a review of the existing management and governance structure for CMPA with a view to identifying efficiency and income generation opportunities. A report, detailing the findings of the review, including recommendations on future management models that would best secure the sustainable future for the park area is expected to be submitted to the Joint Committee by the end of 2013 calendar year.

## Best value and performance

### Best value

30. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure best value. 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.

31. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments
32. 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.
33. This section includes a commentary on the performance management arrangements within CMPA and note any headline performance outcomes/ measures used by the Park Authority.

## Performance

34. The work of CMPA is led by the senior management team, which consists of the park manager, assistant managers 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. CMPA uses the Ranger Service Output measures, which are collated and sent to Scottish Natural Heritage.
35. The park manager reports on the work through the Annual Report, which includes detailed trend analysis of visitor numbers to different parts of the park. The 2012/13 report highlights some key developments, including:
  - Castle Semple Visitor Centre achieved 'Gold' in the Green Tourism Business Scheme
  - the park gained the 'Volunteer Friendly Award' for commitment and management of volunteering
  - launch of the disability scooter service in August and the continued development of disability water sports
  - The Castle Semple Loch Management Plan was approved. This ensures the future of continued and balanced use of the loch as a Site of Special Scientific Interest (SSSI) habitat for wildlife and a place with multiple recreation opportunities
  - Following the grant award from the Heritage Lottery Fund to a partner, Renfrewshire Council, in June the Semple Trail Heritage Project began its implementation phase. The Park is contributing through the Parkhill Woodland plan; the Windows on Wildlife Project and Ranger Service provision, to the Activity Plan.
  - The website has achieved 4.9 million hits and nearly 48,000 unique visitors in the year.
36. CMPA estimates that it has approximately 1.5 million users per year with the number of visitors into park centres has increased by 2.3% from approximately 97,900 in 2011/12 to 100,200 in 2012/13. This is primarily due to 5,800 more visitors to Castle Semple Centre and Muirshiel Centre and 3,500 visitors less to Greenock Cut Centre (caused chiefly by an eleven month road closure to the primary access road).

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37. Charges for activities were reviewed for 2013/14 and prices generally did not increase, which the Authority hopes will lead to increased update of activities and services at the park.

### **Lunderston Bay**

38. In previous years we have noted the concerns by CMPA in developing services at this site due to the standard of facilities provided by Inverclyde Council and delays with finalising lease agreements.
39. There have been recent developments that should improve progress. Following successful conclusion of lease negotiations, Inverclyde Council has been tenants of the site since 24 January 2013. Inverclyde Council has continued to consider options for improved visitor facilities at Lunderston Bay, and a planning application for toilets and staff accommodation has been approved by Inverclyde Council's Planning and Regeneration Committee. The construction of the visitor and staff facilities started in August 2013.

### **Acknowledgements**

40. We would like to express our thanks to the staff of Renfrewshire Council and CMPA for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.