

Dams to Darnley Country Park Joint Committee

Annual report on the 2012/13 audit



Prepared for Dams to Darnley Country Park Joint Committee and the Controller of Audit
October 2013

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Key Messages

2012/13

We have given an unqualified opinion that the financial statements of the Dams to Darnley Country Park Joint Committee 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.

It is an area of concern that funding beyond 2013/14 has not yet been formally agreed. Current budgets show that the accumulated reserves balance will almost be fully depleted by the end of 2013/14 by the allocation of the forecasted deficit.

A draft Business and Delivery Options Plan has been prepared and was considered at the 2nd September meeting of the Joint Committee. Decisions on the sources of future funding have not yet been agreed and a further meeting of the Joint Committee is due to be held early in October 2013 to consider the matter further.

Outlook

The future funding of the Joint Committee has yet to be agreed and is an area of considerable uncertainty. Accumulated reserves balances are expected to continue to be depleted with a small balance of around £2,000 budgeted for at the end of 2013/14. There is currently a risk over the financial sustainability of the Joint Committee and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Dams to Darnley Country Park Joint Committee. 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 the 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 Dams to Darnley Country Park Joint Committee 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 the Members of Dams to Darnley Country Park Joint Committee.

Financial statements

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 the Annual Audit Plan presented to the Dams to Darnley Country Park Joint Committee on 28 February 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 require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

6. We have given an unqualified opinion that the financial statements of Dams to Darnley Country Park Joint Committee 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.
7. We received the unaudited financial statements on 30 June in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team. Dams to Darnley Country Park Joint Committee is required to follow the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Significant findings (ISA260)

8. During the course of the audit we identified the following significant issues:

Financial position: The sources of funding beyond 2013/14 for the Joint Committee is currently uncertain. A deficit is forecast for 2013/14 which is to be funded from accumulated reserves. This will reduce the balance on reserves from £72,325 at 31 March 2013 to a budgeted closing level of £2,322.

Resolution: A draft Business and Delivery Option Plan was put to the meeting of the Joint Committee on 2 September 2013. We are advised that the plan has been carried forward to the next meeting of the Joint Committee for further review and approval.

Budget monitoring: Performance against the budget is not currently being monitored and reported to the Joint Committee.

Resolution: Actual levels of income and expenditure will be monitored against the agreed 2013/14 budget and be regularly reported to the Joint Committee.

Financial position

2012/13 financial position

9. In 2012/13 the Joint Committee returned a deficit on the provision of services of £72,325 which was in line with the level of the budgeted deficit. The year end deficit has been funded from the accumulated reserves balance. This has resulted in a reduction in the reserves balance from £147,447 at the end of 2011/12 to £ 75,122 at 31 March 2013

Financial planning

10. The 2012/13 budget has not yet been formally agreed by the Joint Committee and is scheduled for approval at the meeting planned for 2 October 2013. The budget projections for 2013/14 estimate a deficit for the year of £72,800. If this is funded from reserves, the closing accumulated balance will reduce to £ 2,322. This level of reserves has reduced significantly from previous years and may not be adequate to provide for any unforeseen future costs.
11. A draft Business and Delivery Options Plan was put to the meeting of the joint committee on 2 September 2013. The aim of this plan is to consider financial sustainability particularly in the light of the deadline of April 2014, at which point the developers funds, used by Glasgow City Council to finance their revenue contributions, are likely to be fully utilised. A number of options to secure future funding were identified in the Plan. The Joint Committee did not make any decisions on the preferred approach at the September meeting and this issue is being carried forward to the meeting planned for early October. It is essential that the Joint Committee agrees on a way forward to address the expected funding shortfall as a matter of urgency.

Risk Area 1

12. It is noted that budget monitoring statements have not been regularly reported to the Joint Committee. Given the current uncertainties over financing, performance against the 2013/14 budget has to be closely monitored and reported.

Risk Area 2

Overall governance arrangements

13. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found that Dams to Darnley Country Park Joint Committee had sound governance arrangements in place.

Accounting and internal control systems

14. In accordance with the Joint Committee's minute of agreement, financial transactions are processed through East Renfrewshire Council's and Glasgow City Council's financial systems. Our review of these systems was conducted as part of the audit of Glasgow City Council and our consideration of the adequacy of the main internal controls systems within East Renfrewshire Council. This was also supplemented by specific audit work on the Dams to Darnley Country Park 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 to obtain the necessary assurances.

Prevention and detection of fraud and irregularity

16. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. The arrangements established for the prevention of fraud and irregularities have been considered and there are no matters that we wish to bring to the attention of the Joint Committee.

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

17. 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.

Acknowledgements

18. We would like to express our thanks to officers 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.

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	11	The future funding of the Joint Committee beyond 2013/14 has yet to be agreed and there is uncertainty over the financial sustainability of the Joint Committee	The Business and Delivery Options Plan will be considered by members of the Joint Committee at the October 2013 meeting.	Project Officer Dams to Darnley	December 2013
2	12	Budget monitoring statements are not being reported to members of the Joint Committee. There is a risk that members will not be aware of any budget variances and planned corrective action.	Budget monitoring reports will be put to meetings of the Joint Committee.	J Shevlin	October 2013