

# Mugdock Country Park Joint Management Committee

## Annual report on the 2012/13 audit



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

September 2013

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# Key Messages

## 2012/13

We have given an unqualified opinion that the financial statements of Mugdock Country Park Joint Management Committee ("the Joint Management 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.

Net revenue expenditure to be met by consistent authorities in 2012/13 was £6,925 more than in the previous year. The Joint Management Committee's balance sheet shows that there was a temporary advance to East Dunbartonshire Council of £150 at the financial year end. This reflects the net position of current assets and liabilities at the year end and represents a cash inflow position as at 31st March 2013.

Overall the Joint Management Committee's arrangements for the prevention and detection of fraud were satisfactory during 2012/13. From our review of the key controls within the main financial systems of East Dunbartonshire Council, we concluded that the systems of internal control are operating effectively.

## Outlook

We confirm the financial sustainability of the Joint Management Committee on the basis of its financial position and projected financial summary. The financial position going forward is however becoming even more challenging than previous years with limited increases in funding coupled with increasing cost pressures. This represents a major challenge for the Joint Management 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. The significant financial challenges will make maintaining or improving on performance targets even more challenging.

# Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of Mugdock Country Park Joint Management 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 Mugdock Country Park Joint Management Committee and no responsibility to any third party is accepted.
3. 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 Joint Management Committee 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.
4. This report is also addressed to the Controller of Audit and will be published on our website after consideration by the Joint Management Committee.

# Financial statements

## Conduct and scope of the audit

5. 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 Joint Management Committee on 3rd March 2013 and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
6. 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

7. We have given an unqualified opinion that the financial statements of Mugdock Country Park Joint Management 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. The audit opinion was formally issued and signed on 24th September 2013.
8. We received the unaudited financial statements on 1st May 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 and we completed our on-site fieldwork on 27th June 2013. The Joint Management Committee is required to follow the 2012/13 Code of Audit Practice and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

## Significant findings (ISA260)

9. During the course of the audit we identified a number of issues regarding the timing of transactions, the existence of material unusual transactions and the potential effect on the financial statements of any uncertainties.

## Stock Level

10. During financial statements testing in 2011/12, the level of stock held by the Joint Management Committee was reviewed and agreed to stock sheets. During this testing, it was identified that the Joint Management Committee held a significantly high level of stock considering the size and nature of the organisation.
11. This was reviewed again in 2012/13 and the stock level was again seen to be high. A review of stock records identified a significant number of slow moving items. There is a risk that this stock may become obsolete and the Joint Management Committee will require to make a number of write-offs.

12. Resolution: Officers have agreed to carry out a stock level review and will identify which slow moving stock should be written off. Officers anticipate that this write-off will be completed by the end of the 2013/14 financial year.

**Action Point 1****Financial Pressures**

13. The Joint Management Committee are likely to face financial pressures related to a reduction in income generated from the sale of goods and corporate events. This could have an adverse impact on the Joint Management Committee's operations and financial performance. In addition, income budgets have not been adjusted to reflect this downturn. This further increases the pressure faced by the Joint Management Committee.
14. Resolution: Officers advised that financial monitoring and forecasting are routine features of liaison with park management and also of formal reporting to the Joint Committee. This will ensure that financial pressures are managed as effectively as possible.

**Action Point 2****Risk Register**

15. It was noted during testing of governance arrangements that the Joint Management Committee do not have their own risk register, but instead rely on the risk arrangements in place within East Dunbartonshire Council. This presents a risk in that specific issues to the Park's operations may not be identified.
16. Resolution: Risks associated with Mugdock Country Park are both considered and evaluated through the Council's risk management process and included, where applicable, in the Development and Enterprise Risk Register. Risk registers include specific targeted risks as well as those which apply to all areas of the Service.

**Action Point 3****Capital Expenditure**

17. During 2012/13, the Joint Management Committee decided to cancel plans for an extension to Mugdock Makers, the café situated on the site of the Park. This project had received a capital allocation of £40,000. Following approval as part of the East Dunbartonshire Council Capital Plan, this allocation was transferred to a new project for network improvements to the Park's path infrastructure. This highlighted a risk that the Joint Management Committee were allocating funds to projects which were not viable.
18. Resolution: The network improvements to park path infrastructure constitute a long term enhancement of current conditions and offer improved access conditions to visitors. This alternative was concluded by a sub-committee of the Joint Committee which took operational and financial advice. Following procurement in 2012/13, The Joint Management Committee have spent just under £14,000 on the improvement works.

## Financial position

### 2012/13 Financial position

19. In 2012/13 the Joint Management Committee's net cost of service was £73,293 higher than budget. An increase in staff costs along with higher payroll oncosts have contributed to this. Maintenance costs have again exceeded budget as a result of adverse weather conditions.
20. The Joint Management Committee's balance sheet as at 31 March 2013 reflected net assets of £0. 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 2011/12.
21. Net revenue expenditure to be met by constituent authorities in 2012/13 was £6,925 more than in 2011/12.

### Financial planning

22. Looking ahead, it is clear that the outlook for public spending for the period 2013/14 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 again need to be prepared to face the challenging financial environment ahead.

## Corporate governance and systems of internal control

### 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. In accordance with the Joint Management 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.
25. 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.



26. The Statement on the System of Internal Financial Control (SSIFC) for the year 2012/13, signed by the Treasurer, outlines that the Joint Management Committee utilises the systems and controls of East Dunbartonshire Council. The SSIFC concludes that the Council has in place a sound system of internal financial control with no identified material weaknesses. Our audit work on the Joint Management Committee resulted in findings consistent with that opinion.
27. Areas for improvement were identified in the East Dunbartonshire Council Statement on the System of Internal Financial Control. We do not consider these to have a material impact on the fairness of the financial statements, and they do not affect our overall audit opinion.
28. Internal audit is an important element of the East Dunbartonshire Council governance structure. Our review established that the work of internal audit is of a good quality allowing us to place reliance on a number of areas including Payroll, Debtors, Creditors, Housing Rents and Cash Receipting controls. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.
29. However, internal audit did not carry out any specific work in relation to the Joint Management Committee in 2012/13. 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.

### **Prevention and detection of fraud and irregularity**

30. 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 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**

31. 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**

32. We would like to express our thanks to the staff of Mugdock Country Park and East Dunbartonshire Council 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	10	<p>During financial statements testing in 2011/12, the level of stock held by the Park was reviewed and agreed to stock sheets. During this testing, it was identified that the Park held a significantly high level of stock considering the size and nature of the organisation.</p> <p>This was reviewed again in 2012/13 and the stock level was again seen to be high. A review of stock records identified a significant number of slow moving items.</p> <p><i>There is a risk that this stock may become obsolete and the Joint Management Committee will require to make a number of write-offs.</i></p>	<p>Consideration will be given to write off of holding of publications from the former Health Habits Project.</p> <p>Stock of printed material such as books and leaflets is slow moving but retains value.</p> <p>The level of consumable stock will be reviewed.</p>	Park Manager & Tourism	31/3/14
2	14	<p>The Joint Management Committee are likely to face financial pressures related to a reduction in income generated from the sale of goods and corporate events.</p>	<p>Financial monitoring and forecasting are routine features of liaison with park management and also of formal reporting to the Joint Committee.</p>	Treasurer	31/3/14

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<i>This could have an adverse impact on the Joint Management Committee's operations and financial performance. In addition, income budgets have not been adjusted to reflect this downturn. If budgets are wrong, corrective action by the Joint Management Committee might not be taken timeously to address the lower income position and to plan any resultant cost savings that are required.</i>	Sustained adverse variation would be budget managed by park management and would also inform Council budgeting process.		
3	16	It was noted during testing of governance arrangements that the Joint Management Committee do not have their own risk register, but instead rely on the risk arrangements in place within East Dunbartonshire Council. <i>This presents a risk in that specific issues to the Park's operations may not be identified.</i>	Risks associated with Mugdock Country Park are both considered and evaluated through the Council's risk management process and included, where applicable, in the Development and Enterprise Risk Register.  Risk registers include specific targeted risks as well as those which apply to all areas of the Service.	Director of Development & Regeneration	31/3/14