

# Clyde Muirshiel Park Authority

## Annual report on the 2013/14 audit



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

October 2014

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# Key Messages

## 2013/14

We have given an unqualified opinion that the 2013/14 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 2013/14 budget was for a deficit of £6,600. The actual deficit was £19,132 resulting in an overspend £12,532, which was due to voluntary severance costs incurred and higher than anticipated advertising costs for the year of 'Natural Scotland'.

CMPA's balance sheet at 31 March 2014 shows a net liability of £551,271 (2012/13 £392,133); a significant deterioration over the previous year but this is mainly due to the increase in the pension liability of £161,000.

Overall the system of internal control and arrangements for the prevention and detection of fraud were satisfactory during 2013/14.

In previous years the park manager would report on the work of the park through an Annual report but an annual report for 2013/14 has not been prepared. However, during 2013 and 2014 there have been regular updates to members on key aspects of work in the park including specific projects (e.g. activities linked to Commonwealth Games) and on key operational statistics over absence and health and safety, all of which are linked to Scottish Government national outcomes.

## Outlook

The 2014/15 budget is for a deficit of £26,300, to be funded from reserves; this is based on reduction in requisition levels of 16.1%, decreased staff costs and increases in retail income and fees and charges for using park services.

As reported in previous years in December 2012 CMPA members agreed to review the existing management and governance structure for CMPA with a view to identifying efficiency and income generation opportunities. The review was not completed in 2013 but was carried out in summer 2014 with the support of external consultants. It is due for completion soon and any recommendations will be discussed with the partner local authorities before the review is finalised.

Therefore the past year has been one of uncertainty with budgets for reduced requisition income, the Operations and Governance review and the previous park manager leaving in March and an interim appointment being made. 2014/15 will be challenging as future arrangements for the park are decided, the review's recommendations implemented while at the same time managing the cost base and the changing income pattern.

# Introduction

1. This report is the summary of our findings arising from the 2013/14 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, was outlined in our Annual Audit presented to the Joint Committee on 6 June 2014, 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 2013/14 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 2013/14 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 30 September 2014.
7. We received the unaudited financial statements on 13 June 2014, 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 2013/14 (the 2013/14 Code) and we can confirm that the financial statements have been properly prepared in accordance with the 2013/14 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 the Treasurer on 19 September 2014.
10. A small number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with officers who agreed to amend the unaudited financial statements.
11. The main change to the accounts related to netting off of project income and expenditure. The accounts presented for audit showed that miscellaneous income in 2013/14 was £9,750 compared to £151,517 in 2012/13. Following enquiry, officers identified that project income and expenditure had been netted off and agreed to amend the unaudited financial statements. Miscellaneous income increased by £74,403 to £84,153 and costs increased by £74,403 and there was no impact on the deficit.

## Financial results

### 2013/14 Outturn

12. In 2013/14 CMPA reported an accounting deficit on the provision of services of £87,270 as shown in the Comprehensive Income and Expenditure Statement. The deficit as presented in the treasurer's foreword in the financial statements of £19,132 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.
13. The 2013/14 budget was for a deficit of £6,600. The actual deficit was £19,132 resulting in an overspend £12,532, which was due to voluntary severance costs incurred and higher than anticipated advertising costs for the year of 'Natural Scotland'.
14. Compared to the previous year, 2013/14 total expenditure in the Comprehensive Income and Expenditure Statement decreased by £28,710 (1.8%). The largest decrease was for supplies and services which is for project expenditure and just reflects level of project activity. Income for projects is matched to expenditure and recorded in miscellaneous income, where there is also a decrease.

### 2013/14 financial position

15. The balance sheet at 31 March 2014 shows net liabilities of £551,271 (at 31 March 2013 £392,133), a significant deterioration over the previous year. This is mainly due to the increase in the pension liability to £532,000 (at 31 March 2012 £371,000), which is based on actuarial valuations and changes in the actuary's assumptions.
16. 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

17. In our 2012/13 Annual Report in October 2013, we noted that CMPA's income and expenditure had 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.
18. However, in February 2014, members then agreed to a reduction in requisition levels of 16.1% (£164,700) for 2014/15. The sustainability of the park is based on decreased staff costs and increases in retail income and fees and charges for using park services. There is a budgeted deficit of £26,300, based on income of £1,184,300 and expenditure of £1,210,600. The deficit will be funded from reserves.

19. Like all joint boards, CMPA has no specific powers to retain reserves to meet future requirements and technically the amounts are due to local authorities. However, these balances can help with dealing with unforeseen costs. Whilst it would be incorrect for joint committees to continually increase these balances, as Table 1 shows the year-end balances have been decreasing and projected year-end balance is only 2.2% of 2014/15 expenditure, increasing pressure on managing unforeseen costs and any overspends may need additional, and unbudgeted, requisition funding from member authorities.

**Table 1: Amounts due to member authorities**

As at 31 March	2015 Projected	2014 Actual	2013 Actual	2012 Actual
Reserves/ balances due to local authorities	£26,540	£41,408	£60,540	£65,403

Source: CMPA Annual Accounts and 2014/15 Revenue estimates

**Refer to Action point 1**

20. The September 2014 Revenue Budget Monitoring Report notes that the projected year-end position will show a draw-down from reserves of £23,300, slightly less than the budgeted £26,300.

## Corporate governance and systems of internal control

### Overall governance arrangements

21. 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

22. 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.
23. 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.
24. In the Internal Audit Annual Report 2013/14, the Chief Internal Auditor concluded that satisfactory level of assurance can be placed upon the adequacy and effectiveness of CMPA's internal control, risk management and governance arrangements. Her report also explains that



out of 25 audit recommendations only two were not implemented by the due date and revised target dates for 2014/15 have been agreed.

25. In our annual plan we noted that CMPA operates under a range of policies and procedures, some of which go back a number of years e.g. standing orders relating to contracts included out of date legislation. In September 2014 CMPA approved updated financial regulations and processes for updating financial codes and we will review these in more detail as part of 2014/15 audit.

### Prevention and detection of fraud and irregularity

26. 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

27. 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

28. As reported in previous years and in our annual audit plan for 2013/14 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.
29. The review was not completed in 2013 but was carried out in summer 2014 with the support of external consultants. It is due for completion soon and any recommendations will be discussed with the partner local authorities before the review is finalised.

**Refer to Action point 2**

## Best value and performance

### Best value

30. A consequence of the review of CMPA not being done in 2013 has been that no formal strategy document for the park has been in place since 2012. The previous strategy covered the period 2008-11 and was updated to cover 2011-12. In December 2013 CMPA adopted a workplan for 2014/15 which picks up on principles of the previous park strategy and details actions planned but there was no information on milestones, or measurements or resources to be applied.

31. The past year has been one of uncertainty with budgets for reduced requisition income, the Operations and Governance review, the previous park manager leaving in March and an interim appointment being made. Therefore there has not been the same level of strategic planning and reporting.
32. In previous years the park manager would report on the work of the park through an Annual report based on information collected across a range of activities from finance, visitor numbers, health and safety, to issues such as conservation and the various initiatives in place to encourage participation in park activities.
33. To date, an annual report for 2013/14 has not been prepared. However, during 2013 and 2014 there have been regular updates to members on key aspects of work in the park including specific projects (e.g. activities linked to Commonwealth Games) and on key operational statistics over absence and health and safety, all of which are linked to Scottish Government national outcomes.
34. We will follow-up in 2014/15 progress with Operations and Governance review and arrangements for implementing its recommendations.

## Acknowledgements

35. 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.

# Appendix A: Action Plan

## Issues and Planned Management Action

Action Point	Refer Para No	Issue Identified	Planned Management Action	Responsible Officer	Target Date
1	19	<p><b>Financial sustainability</b></p> <p>Requisition levels from partner local authorities decreased by 16.1% for 2014/15 and reserves are very small compared to annual expenditure.</p> <p><i><b>Risk:</b> There is a risk over the financial sustainability of the park if projected non-requisition income is not achieved.</i></p>	<ul style="list-style-type: none"> <li>Ongoing revenue monitoring against budget will identify income patterns during the year and updates provided to each CMPA Joint Committee meeting.</li> <li>The internal audit plan for 2014/15 includes a specific review on budgetary control and inventory.</li> </ul>	Treasurer and interim park manager	February 2015
2	29	<p><b>Planning</b></p> <p>The past year has been one of uncertainty with budgets for reduced requisition income, the Operations and Governance review, the previous park manager leaving in March and an interim appointment being made. Therefore there has not been the same level of strategic planning and reporting.</p> <p><i><b>Risk:</b> Any delay with the review increases the risk over the future operations of the park.</i></p>	<ul style="list-style-type: none"> <li>The Operations and Governance review is due for completion soon and will provide a recommended option based on options appraisal, and also include a delivery plan and programme.</li> </ul>	Head of Planning and Economic Development, Renfrewshire Council.	December 2014