

Mugdock Country Park

Joint Management Committee

Report to Committee Members on the 2005/06 Audit



Contents

Key Messages	2	Governance	8
Introduction	3	Financial statements	9
Performance	4	Final Remarks	12
Financial position	6	Appendix A: Action Plan	13



Key Messages

Introduction

In 2005/06 we audited the financial statements and we looked at aspects of performance management and governance. This report sets out our key findings, summarising key outcomes in 2005/06 and the outlook for the period ahead.

Key outcomes from 2005/06 audit

We have given an **unqualified** opinion on the financial statements of Mugdock Country Park Joint Management Committee for 2005/06.

In accordance with the Committee's minute of agreement, the park's financial transactions are processed through East Dunbartonshire Council's financial systems. We reviewed these systems as part of the audit of East Dunbartonshire Council. No areas of concern were identified relating to the park's transactions.

The park continues to attract increasing visitor numbers due to improved facilities and services for visitors and it is predicted that this will continue as a result of the new history experience at Mugdock Castle. These increasing visitor numbers have led to increased running costs which have not been fully matched by increased revenue. Net revenue expenditure is £262,806. The park's 2004-2008 service plan concentrates on ways to increase revenue opportunities in the future. The Committee will continue to monitor achievement of the service plan.

Capital expenditure in 2005/06 totalled £144,570 against an approved budget of £200,660. The underspend of £56,090 resulted from slippage on the visitor centre building programme resulting from delays in obtaining approval of the planning application for that work.

Outlook for future audits

Changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2006 will have an impact on the presentation of the 2006/07 annual financial statements which will require to be more consistent with the accounts of other public and private sector organisations.

This is the final year of our current appointment to the audit of the Mugdock Country Park Joint Management Committee. From 2006/07 the Committee's auditors will be KPMG.

**Audit Scotland
October 2006**



Introduction

1. This report summarises the findings from our 2005/06 audit of the Mugdock Country Park Joint Management Committee. The scope of the audit was set out in our fee for the audit proposal, which was submitted to the Treasurer on 12 January 2006. This described the audit work we planned to carry out in the year.
2. The financial statements of the Committee are the means by which it accounts for its stewardship of the resources made available to the park and its financial performance in the use of these resources. It is the responsibility of the Committee to prepare financial statements that present fairly its financial position and the income and expenditure for the year.
3. The members and officers of the Committee are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed;
 - the Committee's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests;
 - the Committee has adequate corporate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability;
 - the systems of internal control provide an appropriate means of preventing or detecting material mis-statement, error, fraud or corruption; and
 - the Committee has proper arrangements for securing best value in its use of resources.
4. This is the final year of a five year audit appointment. We would like to take this opportunity to express our appreciation for the assistance and co-operation provided by officers and members of the Committee during the course of our audit work.



Performance

Introduction

5. In this section we summarise key aspects of the Mugdock Country Park Joint Management Committee's reported performance and provide an outlook on future performance, including our views on the current status of identified risks.
6. It is the Joint Management Committee's responsibility to ensure that proper arrangements are in place to secure the economy, efficiency and effectiveness in the use of its resources. My audit does not include detailed reviews in this area. However, from carrying out other aspects of my audit, including a review of the minutes, I am able to report on aspects of the Committee's arrangements to manage its performance.

Overview of performance in 2005/06

7. The park was the subject of a review by Visit Scotland in October 2004 which endorsed the park's tourist board grading as 3 stars for 2005. This recognised that the park has sustained the level of facility and service to visitors. The park manager now intends to improve facilities and services over the coming years in an attempt to achieve a 4 star grading, which would be the highest grading available to the park. The Committee has recognised that such a result will rely on improved customer facilities and service.

Performance outlook – opportunities and risks

8. Over recent years, investment in the park has attracted increasing visitor numbers. Estimated total visitor numbers for 2005 were 563,043 (543,881 in 2004/05). It has been recognised that the new restaurant and farm shop which opened in June 2005 have contributed to this increase. The park manager has predicted that visitor numbers will show a further increase for the summer 2006 period, as a result of the new history experience at Mugdock Castle.
9. The park manager's progress report presented to the Joint Management Committee in January 2006 notes that the park has a steady stream of rechargeable bookings throughout the year. During 2005 however there was a significant reduction in room bookings and hospitality from local government bodies. In response, the park manager has developed a corporate activity days brochure, aimed at businesses and other organisations. It is hoped that these packages will be successful in generating revenue for the park.



10. As was reported in 2004/05, increasing visitor numbers have led to increased running costs which have not been fully matched by increased revenue. The Committee has recognised that to secure the future economy, efficiency and effectiveness of the park, action is required to address the financial shortfall. In this context the park's 2004-2008 service plan concentrates on capital investments that will allow the park to increase revenue opportunities in the future. The Committee will continue to monitor achievement of the service plan.



Financial position

Introduction

11. In this section we summarise key aspects of the Mugdock Country Park Joint Management Committee's reported financial position and performance to 31 March 2006, providing an outlook on future financial prospects, including our views on potential financial risks.

Revenue account

Revenue performance 2005/06

12. The park's net revenue expenditure amounted to £262,806 in 2005/06 and was met by the constituent authorities, East Dunbartonshire Council and Stirling Council. This compares with budgeted net revenue expenditure of £254,636, an overspend of £8,170 (3.2%).
13. In the Treasurer's Statement it is highlighted that revenue expenditure was £31,571 greater than in 2004/05 and the main factors contributing to this increased spend were budgeted increases in staffing and maintenance costs.

Spending on assets

Capital performance 2005/06

14. The 2004 to 2008 service plan includes a five year capital budget profile. This includes annual contributions from East Dunbartonshire Council and Stirling Council together with other sources such as Mugdock Trust, Scottish Natural Heritage and private sponsorship/contributions. Total budgeted capital expenditure for the five year period is £656,000 with the main areas of planned expenditure being children's play/education and learning £372,500 and visitor centre development £170,000.
15. Capital expenditure in 2005/06 totalled £144,570. The approved capital budget for 2005/06 was £200,660, therefore an underspend of £56,090 occurred in the year. The main reason for the underspend is slippage on the visitor centre building programme resulting from delays in obtaining approval of the planning application for the work. This work will now be undertaken in 2006/07.



16. East Dunbartonshire Council and Stirling Council are responsible for funding any capital deficits incurred by the park. However, no action is taken on an annual basis to recover these balances and the outstanding balance is shown as either a current asset or current liability and rolled forward in the capital account to the following year. Capital expenditure in 2005/06 was £144,570 and capital receipts totalled £147,041, producing a capital surplus of £2,471. This surplus was added to a capital surplus brought forward from 2004/05 of £8,865, resulting in a surplus carried forward to 2006/07 of £11,336. This balance is reflected in the current liabilities section of the balance sheet.

Forward capital programme

17. The capital budget for 2006/07 was originally approved as £126,500 in September 2005. This was subsequently revised to £181,803 and approved by the Committee in March 2006. The planned capital works in 2006/07 are visitor centre development including education and learning compartment £155,000 and minor works including IT development £26,803. The progress of the park's capital programme is to be monitored by the Committee.
18. It is planned that the 2006/07 capital expenditure will be funded mainly by the constituent authorities, with contributions also anticipated from Scottish Natural Heritage, Mugdock Trust and Scottish Enterprise.

Financial outlook

Current budget

19. Budgeted net expenditure for 2006/07 was originally approved by the Committee in September 2005 as £260,803. This was subsequently revised to £262,219 in March 2006. General allowances for pay and cost inflation pressures were built into the budget.

Pension disclosures

20. Park staff are included in East Dunbartonshire Council's membership of the Strathclyde Pension Fund. To comply with FRS 17 accounting requirements, the park is required to reflect in the accounts the full costs of benefit entitlements earned by employees and not simply the cost of employers' contributions made to the pension fund. Current service costs of £36,384 allocated on the basis of total pensionable pay are included in the expenditure for the year. As was the case in previous years, no pension liability is disclosed within the balance sheet as it is not possible to accurately identify the park's pension liability from East Dunbartonshire Council's total liability, and the cost of obtaining a separate actuarial valuation for the liability of the park is considered to be prohibitive.



Governance

Introduction

21. In this section we comment on key aspects of the Mugdock Country Park Joint Management Committee's governance arrangements during 2005/06.

Overview of arrangements in 2005/06

22. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. The 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 I have a responsibility to report on the Committee's corporate governance arrangements.

23. A statement on the system of internal financial control is included within the annual financial statements, and states the Treasurer's view that reasonable assurance can be placed upon the adequacy and effectiveness of the park's internal financial control system.

24. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Systems of internal control

25. In accordance with the Committee's minute of agreement the park's financial transactions are processed through East Dunbartonshire Council's financial systems. It is the responsibility of the council's management to maintain adequate financial systems and associated internal controls. The auditor evaluates the significant financial systems and the associated internal controls, both for the purpose of giving an opinion on the statement of accounts, and in order to report on the adequacy of such systems and controls.

26. Audit's review of these systems was conducted as part of the audit of East Dunbartonshire Council supplemented by specific audit work on the park's financial statements. Audit's conclusions are that overall East Dunbartonshire Council's financial systems are adequate for the purpose of producing the financial statements. No areas of concern were identified relating to the park's transactions.

27. The park manager and chief internal auditor have confirmed that there were no frauds identified in 2005/06.



Financial statements

Introduction

28. In this section we summarise key outcomes from our audit of the Mugdock Country Park Joint Management Committee's financial statements for 2005/06. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
29. We audit the financial statements and give an opinion on:
- whether they present fairly the financial position of the park and its expenditure and income for the period in question; and
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
30. We also review the statement on the system of internal financial control by:
- considering the adequacy of the process put in place by East Dunbartonshire Council to obtain assurances on systems of internal control; and
 - assessing whether disclosures in the statement are consistent with our knowledge of East Dunbartonshire Council.

Overall conclusion

31. We have given an **unqualified** opinion on the financial statements for 2005/06.
32. The Committee's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June 2006. Final accounts preparation processes and working papers were generally good and this enabled the audit to progress smoothly.
33. Audited accounts were finalised prior to the target date of 30 September 2006 and are now available for presentation to the Committee and for publication. The financial statements are an essential means by which the Committee accounts for its stewardship of the resources made available to the park and its financial performance in the use of those resources.



Accounting practice

34. Joint Management Committees in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom —A Statement of Recommended Practice (the 'SORP'). A number of accounting adjustments were made to the figures included in the unaudited accounts provided for public inspection to comply with this code.

Fixed assets

35. A revaluation exercise of East Dunbartonshire Council's operational and non operational land and property assets was undertaken during 2005/06. As part of this review, the valuers assessed the park's tearoom, shop and garden centre and valued these assets as non-operational assets with a total value of £189,000. This was a £122,795 increase from the valuation in 2004/05 of £66,205. The accounts have been amended to reflect this categorisation and value.
36. This is consistent with the outcome from the 2005/06 revaluation of East Dunbartonshire Council's assets. Such a large increase to asset values indicates that the values attached to assets have been out of date for some time. We have reported in the council's annual report to members that we are concerned that the processes currently followed by the council are not effective in identifying expenditure which should be capitalised and recognised in asset values in the years in between the five yearly valuations. We have recommended that the council ensures asset revaluation procedures for the intervening years between valuations are sufficient to ensure that the asset values are fairly stated in the accounts of the park.

Group accounts

37. The park has been treated as a subsidiary of East Dunbartonshire Council in the council's group accounts.

Legality

38. Each year we request written confirmation from the Treasurer that the park's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes and checklists. The previous Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of the Committee, the financial transactions of the park were in accordance with the relevant legislation and regulations governing its activities.
39. There are no additional legality issues arising from our audit which require to be brought to members' attention.



Financial reporting outlook

40. Overall the Committee is well placed to continue to prepare annual financial statements in accordance with accounting and statutory requirements. It has a record of responding positively to audit issues and developing accounting practice. Significant challenges ahead are summarised below.
41. A number of changes have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2006. These include changes to the single entity statement of accounts which include the replacement of the revenue account with a traditional income and expenditure account; and the replacement of the statement of total movement in reserves with a statement of total recognised gains and losses.
42. These changes will have a significant impact on the presentation of the 2006/07 annual financial statements to make them more consistent with the accounts of other public and private sector entities.

Change of external auditor

43. Regular rotation of auditors is required by auditing standards and is an important component in guarding against perceived or actual threats to auditors' objectivity and independence. Audit Scotland's policy is to rotate auditors at least once every five years. Where the audit is carried out by Audit Scotland staff rather than a private firm, the engagement lead and other key staff will be rotated.
44. This is the final year of our current appointment to the audit of Mugdock Country Park Joint Management Committee. From 2006/07 KPMG will become the Committee's appointed auditor. The change of auditor represents an opportunity to build on existing good practice to continuously improve accounts preparation processes in partnership with the incoming auditor.



Final Remarks

45. The members of Mugdock Country Park Joint Management Committee are invited to note this report. We would be pleased to provide any additional information that members may require.

46. The co-operation and assistance given to us by Committee members and staff, and the relevant officers within East Dunbartonshire Council, over the five years of our audit appointment is gratefully acknowledged.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para. No	Risk Identified	Planned Action	Responsible Officer	Target Date
1	10	Increasing visitor numbers have resulted in increased expenditure which has not been fully matched by increased revenue.	Achievement of the 2004-2008 service plan is to continue to be monitored.	Joint Management Committee	Ongoing