

# Clyde Muirshiel Park Authority Joint Committee

Report to Members and the Controller of Audit on the 2007/08 Audit



November 2008



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# Contents

<b>Key Messages</b>	<b>1</b>	<b>Legality</b>	<b>4</b>
<b>Introduction</b>	<b>2</b>	<b>Corporate governance</b>	<b>6</b>
<b>Financial statements</b>	<b>3</b>	Overview of arrangements in 2007/08	6
Auditor's report	3	Systems of internal control	6
Financial position	3	Prevention and detection of fraud and irregularities	6
Account preparation and submission	3		
Financial Outlook – pension liabilities	4		



# Key Messages

In 2007/08, we audited the financial statements and looked at aspects of governance within the Clyde Muirshiel Park Authority Joint Committee. This report sets out our main findings.

Overall, we found the financial stewardship of the Clyde Muirshiel Park Authority Joint Committee (CMPA) during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- An unqualified opinion has been issued on the financial statements for 2007/08.
- The Statement on the System of Internal Financial Control included in the accounts complies with accounting requirements and is not inconsistent with audit findings.
- Final accounts preparation procedures and working papers were generally of a good standard and this enabled the audit to progress smoothly.
- Many aspects of a sound corporate governance framework were in place over 2007/08 although recommendations to ensure the compatibility of financial data of partner local authorities within the joint committee have been made and accepted by management.

Renfrewshire Council provide internal audit services to the CMPA. The Statement on the System of Internal Financial Control for the year 2007/08, signed by the Treasurer and Director of the CPMA, concluded that the CMPA has in place a sound system of internal financial control with no identified material weaknesses. Our audit work resulted in findings consistent with that opinion.



November 2008



# Introduction

1. The members and officers of the CMPA 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 CMPA'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 CMPA 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.
  - The CMPA has proper arrangements for securing best value in its use of resources.
  
2. This report summarises the most significant issues arising from our work during 2007/08.



# Financial statements

3. In this section we summarise key outcomes from our audit of the CMPA's financial statements for 2007/08.

## Auditor's report

4. We have given an unqualified opinion on the financial statements of the Clyde Muirshiel Park Authority Joint Committee for 2007/08, concluding that the financial statements:
  - present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of the Joint Committee as at 31 March 2008 and its income and expenditure for the year then ended
  - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

## Financial position

5. The CMPA's balance sheet as at 31 March 2008 reflected net assets of £2.377 million an increase of £0.239 million over the previous year. The main reason for this increase in net assets was the balance of the actuarially assessed assets retained in the Strathclyde Pension Fund which increased by £0.321 million. The value of this asset is heavily dependant on stock market valuations which are currently subject to severe fluctuations. Operationally, the CMPA generated a surplus of £0.034 million over the year which was mainly attributable to higher than budgeted income level from local sales and tight control over employment costs. Cumulative revenue reserves due to members as at 31 March 2008 totalled £0.048 million.

## Account preparation and submission

6. The CMPA's financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation procedures and working papers were generally of a good standard. Revisions to the unaudited accounts however were required to properly reflect changes to the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the 'SORP') which CMPA is required to follow. A small number of other amendments were also required to the draft accounts regarding asset valuations. As certified, the financial statements of CMPA comply with the provisions of the SORP.
7. The audit of the accounts was finalised prior to the target date of 31 August 2008 and are now available for presentation to the Joint Committee and for publication. The financial statements are an



essential means by which the Joint Committee accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## **Financial Outlook – pension liabilities**

8. Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions. In accounting for pensions, Financial Reporting Standard 17 (Retirement of Benefits) is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in fluctuating levels of future assets or liabilities being recognised on the face of annual accounts. As at 31 March 2008 a pension asset of £0.151 million was recorded on the balance sheet. This valuation is sensitive to stock market movements and actuarial assumptions agreed from time to time.
9. The CMPA participates in the Local Government Superannuation Scheme (Strathclyde Superannuation Fund), a defined benefits scheme administered by Glasgow City Council. Note 11 to the Financial Statements provides details of the Joint Committee's relationship with the pension fund.
10. A full actuarial valuation of the fund is undertaken every three years by an independent actuary, with the results of the latest valuation at 31 March 2008, expected in the next four to six months. This valuation determines future contribution rates. As at 31 March 2008, the funding position for the CPMA employees was 96.8 percent. This percentage is sensitive to factors such as the volatile stock market and increasing life expectancy with the result that employer contribution levels are estimated to be set at 280 percent of employee rates in 2008/09 with 15 percent increases scheduled over the following two years. These contribution rates will be subject to review at the next full scheme valuation. This review will also assess the impact of recent changes to the Local Government Pension Scheme regulations are expected to release some future financial benefits, while providing additional flexibility to future pensioners.

## **Legality**

11. Each year we request written confirmation from the Treasurer that CMPA's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes and checklists. The Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of members and officials of CMPA, the financial



transactions of the Joint Committee were in accordance with the relevant legislation and regulations governing its activities.

12. During the audit, the employment status of CMPA staff was examined in relation to the appropriateness of retaining a pension reserve in the accounts of the Joint Committee. While staff contracts are in the name of the host local authority, Renfrewshire Council, the underlying substance of the employment is as reflected in the financial statements and has been accepted. There are no additional legality issues arising from our audit which require to be brought to members' attention.



# Corporate governance

13. In this section we comment on key aspects of the Joint Committee's governance arrangements during 2007/08.

## Overview of arrangements in 2007/08

14. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. The CMPA has an IT Security Policy in place and is currently developing an Information Security Policy to further enhance security arrangements. In previous years we have concluded that the Board has many aspects of a sound corporate governance framework in place and have reached the same conclusion this year.

## Systems of internal control

15. Internal audit plays a key role in the CMPA's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. Internal audit's programme of work is based on a five year cyclic approach based on an assessment of risk. No investigations at the CMPA were undertaken during 2007/08.
16. The CMPA utilised Renfrewshire Council's main financial systems for its operations. These systems have been reviewed as part of our audit of Renfrewshire Council and have been found to have no material weaknesses. We have recommended to management, however, that procedures to improve liaison arrangements over information on fixed assets are improved between partner local authorities.

## Prevention and detection of fraud and irregularities

17. The CMPA has appropriate arrangements for the prevention and detection of fraud and corruption. These arrangements include a strategy for the prevention and detection of fraud including clear lines of responsibility for investigations.