



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

# Mugdock Country Park Joint Management Committee

Annual audit report to the members of Mugdock Country Park Joint Management Committee and the Controller of Audit

Year ended 31 March 2009

12 October 2009

AUDIT

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The contacts at KPMG in connection with this report are:

**Grant Macrae**

Director  
Tel: 0131 527 6611  
Fax: 0131 527 6666  
grant.macrae@kpmg.co.uk

**Keith Macpherson**

Senior Manager  
Tel: 0141 300 5806  
Fax: 0141 204 1584  
Keith.macpherson@kpmg.co.uk

**Michael Wilkie**

Assistant Manager  
Tel: 0141 300 5890  
Fax: 0141 204 1584  
michael.wilkie@kpmg.co.uk

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**About this report**

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of only Mugdock Country Park Joint Management Committee and is made available to the Accounts Commission and Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

**Financial statements**

We have issued an unqualified opinion on the annual accounts of Mugdock Country Park Joint Management Committee.

East Dunbartonshire Council and Stirling Council entered into a revised minute of agreement for Mugdock Country Park from 1 April 2008. The revised agreement allowed for the consolidation of financial accounting for Mugdock Country Park into East Dunbartonshire Council accounts. The terms of the Local Government (Scotland) Act 1973, however, require annual accounts to be prepared.

The revised minute of agreement provided beneficial use of the fixed assets of the Park to East Dunbartonshire Council, and the associated risks and rewards. As part of the audit process, management processed adjustments to transfer the fixed assets of the Country Park to East Dunbartonshire Council.

**Use of resources**

The Committee reported a net cost of service of £2,871,940. This was predominantly a result of accounting for the disposal of the fixed assets of the Committee which were transferred to the Council for nil consideration. Following a release of the balance on the capital adjustment account there was no net impact on the general fund balance.

The Committee does not hold a general fund balance at the year end.

**Governance and accountability**

The statement of internal financial control does not disclose any significant weaknesses in the systems of internal control. The content of the statement is consistent with our understanding of the Committee.

The Committee's financial systems are the same as those operated by East Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit. No audit findings relating uniquely to the Committee were identified during the audit work carried out at the Council.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice*. This specifies a number of objectives for our audit.

### **Audit framework**

This year was the third of our five-year appointment by the Auditor General for Scotland as external auditors of the Mugdock Country Park Joint Management Committee ("the Committee"). This report to the Committee and Controller of Audit provides our opinion and conclusions and highlights any significant issues arising from our work.

Auditors' objectives in relation to the Code are to:

- provide an opinion on the Committee's accounts and, as required by the relevant authorities, the regularity of transactions;
- review and report on (as required by relevant legislation, the Code and any guidance issued by Audit Scotland):
  - the Committee's corporate governance arrangements as they relate to: its review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; its financial position
  - the Committee's arrangements to achieve Best Value
  - other aspects of the Committee's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources.

Given the relative size of the Committee and the way in which its activities are undertaken, we have taken reliance from our audit work on corporate governance and other arrangements undertaken at East Dunbartonshire Council ("the Council") where it was appropriate to do so.

### **Responsibilities of the Committee and its auditors**

External auditors do not act as a substitute for the Committee's own responsibilities for putting in place proper arrangements to account for the stewardship of resources made available to it and its financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and, through the accountable officer, to make arrangements to secure Best Value.

### **Action plan**

This report includes an action plan containing one area for development identified during our financial statements audit fieldwork. Responsibility for taking action and monitoring progress in response to all our recommendations lies with management.

### **Acknowledgement**

We wish to record our appreciation of the continued co-operation and assistance extended to us by your staff.

We have issued an unqualified opinion on the annual accounts of Mugdock Country Park Joint Management Committee.

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The revised minute of agreement provided beneficial use of the fixed assets of the Park to East Dunbartonshire Council, and the associated risks and rewards. As part of the audit process, management processed adjustments to transfer the fixed assets of the Country Park to East Dunbartonshire Council.

**Recommendations**

We did not identify any significant recommendations during the 2008-09 audit.

## Audit opinions and key issues

### Reporting arrangements and timetable

In accordance with statutory requirements unaudited accounts were available for audit on 30 June 2009. This allowed for the audit to be completed in accordance with the timetable agreed with management.

### Audit opinion

On 30 September 2009 we issued an audit report expressing an unqualified opinion on the annual accounts of Mugdock Country Park Joint Management Committee for the year ended 31 March 2009.

### Key issues arising during our audit of the financial statements

We wish to bring the following issues to your attention.

#### Accounting arrangements

East Dunbartonshire Council and Stirling Council entered into a revised minute of agreement for Mugdock Country Park from 1 April 2008. The revised agreement allowed for the consolidation of financial accounting for Mugdock Country Park into East Dunbartonshire Council accounts. The terms of the Local Government (Scotland) Act 1973, however, require annual accounts to be prepared where all members of a Committee are representatives of local government organisations. While non-local authority members do sit on the Committee, they do not have voting rights. Audit Scotland have advised management of the Committee that they therefore consider that the statutory requirements of the 1973 Act continue to apply and so annual accounts will continue to be prepared.

#### Fixed assets

Under the revised minute of agreement signed by the constituent authorities, which came into effect from 1st April 2008, East Dunbartonshire Council ("EDC") has been given beneficial use of the fixed assets of Mugdock Country Park. Taken together with the lease position whereby EDC has a lease on these assets until 2049 and that the lease substantially transfers all risks and rewards associated with the assets to the Council, it has been considered appropriate that the fixed assets are accounted for within the accounts of the Council. As a result the fixed assets have been recorded as disposed in the year in the accounts of Mugdock Country Park for nil consideration. The resulting loss on disposal has no impact on the general fund balance following a release from the capital adjustment account.

## Use of resources

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The Committee reported a net cost of service of £2,871,940. This was predominantly a result of accounting for the disposal of the fixed assets of the Committee which were transferred to the Council for nil consideration. Following a release of the balance on the capital adjustment account there was no net impact on the general fund balance.

The Committee does not hold a general fund balance at the year end.

### **Recommendations**

We did not identify any significant recommendations for development of the Commission's arrangements to manage the use of resources.

## Financial management

### Financial position and budgetary control

The Committee reported a net cost of service of £2,871,940. This was predominantly a result of accounting for the disposal of the fixed assets of the Committee which were transferred to the Council for nil consideration. Following a release of the balance on the capital adjustment account there was no net impact on the general fund balance.

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<b>Net operating expenditure</b>	<b>2,871,940</b>
Income: grants and other income	(203,732)
Income: amounts to be met from constituent authorities	(320,600)
<b>(Surplus) / deficit</b>	<b>2,347,608</b>
Net additional amounts required by statute and non-statutory practices to be debited or credited to the general fund balance for the year	(2,347,608)
<b>Result for the year: (Increase) / decrease on general fund balance</b>	<b>-</b>

Other than the income and expenditure results for the year, the Joint Management Committee reported no other gains or losses, or movements on the general fund balance.

### Reserves and balances

The Committee does not hold a general fund balance at the year end. Its total assets as at 31 March 2009 are (£33,661) represented primarily by a temporary advance to the Council of £21,412. Current liabilities as at 31 March 2009 are also £33,661. The net asset position is therefore £nil which is as expected since all expenditure is met by contributions from the constituent authorities.



## Governance and accountability

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The statement of internal financial control does not disclose any significant weaknesses in the systems of internal control. The content of the statement is consistent with our understanding of the Committee.

The Committee's financial systems are the same as those operated by East Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit. No audit findings relating uniquely to the Committee were identified during the audit work carried out at the Council.

### **Recommendations**

We did not identify any significant recommendations for development in governance and accountability arrangements.

## Corporate governance arrangements

### Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.

The head of finance and ICT at the Council acts as the treasurer of the Joint Board, and has been appointed by the Joint Board as the responsible officer for the administration of its affairs.

The responsibilities of the Committee and the Treasurer for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements are outlined in the Statement of Responsibilities in the annual accounts.

The *Code* requires auditors to review and report on the Committee's corporate governance arrangements as they relate to:

- the Committee's reviews of its systems of internal control, including its reporting arrangements;
- prevention and detection of fraud and irregularity;
- standards of conduct and arrangements for the prevention and detection of corruption; and
- its financial position.

### Statement on internal financial control ("SIFC")

The Committee's statement describes the component parts of the internal financial control framework and the process by which the treasurer has reviewed the effectiveness of the internal financial control system enabling him to conclude that responsible assurance can be placed on the adequacy and effectiveness of the internal financial control system. The statement prepared by the Committee expresses its framework of control and is consistent with our understanding of the established framework.

The Committee's financial transactions are processed by East Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit.

No audit findings relating uniquely to the Committee were identified during the work carried out at the Council, however a number of overall recommendations to improve the overall control environment within the Council were accepted by management.

### Prevention and detection of fraud and irregularity

During 2008-09, we had regard to Statement of Auditing Standards 110: *Fraud and Error and International Standards on Auditing 240: The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements* when completing the audit in this area.

Management did not identify any significant instances of fraud or irregularity during the year. We have obtained management representations from the Treasurer, in support of enquiries with management to confirm that there have been no instances of fraud or irregularity during 2008-09.

### Standards of Conduct

The members of the Joint Board are comprised of elected members from each constituent authority. Members of the Council are subject to the Code of Member Conduct which sets out the standards of conduct expected of each member in carrying out their duties.

**Performance management**

The terms of appointment from Audit Scotland include a requirement for a proportion of our audit time to be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non-financial, including both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors.

No performance audit studies were identified by Audit Scotland for the Joint Management Committee during 2008-09.