

Authorities Buying Consortium

Report to Members on the 2005/06 Audit



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Introduction

1. This report summarises the findings from our 2005/06 audit of the Authorities Buying Consortium.
2. The financial statements of the joint committee are the means by which it accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. It is the responsibility of the joint 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 joint committee are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place.



Financial position

4. We have given an **unqualified** opinion on the financial statements of the Authorities Buying Consortium for 2005/06. The joint 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. Audited accounts were finalised prior to the target date of 30 September 2006 and are now available for presentation to the Joint Board and publication.

5. The joint committee achieved a surplus of £ 298,351 on core activities in 2005/06 which includes an adjustment of £34,000 for accounting entries relating to Financial Reporting Standard 17 (retirement benefits). After deducting expenditure on IT development (£39,065) and e procurement (£282,756), there was a final deficit for the year of £23,470. This was funded from brought forward surpluses. The joint committee has a balance of funds due to member authorities amounting to £1,097,359. This balance includes amounts earmarked for the IT Development Fund (£ 60,935), the combined e.PS/Collaborative/Better Buying Initiative (£310,920) and the carry forward of general reserves (£725,504).

6. The joint committee's balance sheet shows a net liability in 2005/06 of £1,110,000. The negative balance reflects the pensions liabilities falling due in future years. In common with similar public bodies, the future financing of these liabilities will be met by future requisitions from member authorities and the application of future income, to be approved annually by the joint committee. The financial statements have therefore been presented on a going concern basis.



Governance

Overview of arrangements in 2005/06

7. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. The joint 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 joint committee's corporate governance arrangements.
8. 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 committee's internal financial control system. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

Systems of internal control

9. The joint committee's financial transactions are processed through Renfrewshire Council's financial systems. Audit's review of these systems was conducted as part of the audit of the council and supplemented by specific audit work on the joint committee's financial statements. Overall there were no issues of concern concerning the operation of the main financial systems and the joint committee's transactions.

Legality

10. Each year we request written confirmation from the Treasurer that the joint committee'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 the members of the joint committee, the financial transactions of the joint committee were in accordance with the relevant legislation and regulations governing its activities.
11. There are no additional legality issues arising from our audit which require to be brought to members' attention.



Final Remarks

12. The members of the Authorities Buying Consortium are invited to note this report. We would be pleased to provide any additional information that members may require.

13. 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. This is the final year of my appointment to the audit of the Authorities Buying Consortium and I would like to express my appreciation for the assistance provided to me in the 2005/06 audit. From 2006/07 another senior audit manager from Audit Scotland will become the joint committee's appointed auditor.

Audit Scotland

October 2006