

Authorities Buying Consortium

Report to Members on the 2006/07 Audit



October 2007



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Introduction

1. This report summarises the findings from our 2006/07 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 Statements and Financial Position

4. In this section we summarise key outcomes from our audit of the Joint Committee's financial statements for 2006/07. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
5. We audit the financial statements and give an opinion on:
 - whether they present fairly the financial position of the Joint Committee and its expenditure and income for the period in question
 - whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements.
6. We also review the Statement on the System of Internal Financial Control by:
 - considering the adequacy of the process put in place to obtain assurances on systems of internal control
 - assessing whether disclosures in the Statement are consistent with our knowledge of the internal financial control systems within Renfrewshire Council.
7. We have given an **unqualified** opinion on the financial statements of the Authorities Buying Consortium for 2006/07. The Joint Committee's unaudited financial statements were submitted to the Controller of Audit prior to the deadline of 30 June 2007 as required by statute. Our audit work established that final accounts preparation processes and working papers were generally of a good standard and only minor changes to the draft financial statements were required. The audit process was completed by 31 August 2007 and the financial statements are now available for presentation to the Joint Committee and publication.
8. The financial statements for the year ended 31 March 2007 have been prepared to comply with the revised presentational format required by bodies which prepare accounts under the 2006 Statement of Accounting Practice. Prior year comparative figures have been amended as appropriate.
9. The Joint Committee achieved a deficit of £202,283 over 2006/07 before adjusting for £88,000 associated with accounting entries relating to Financial Reporting Standard 17 (retirement benefits). Operating results for core activities of the Joint Committee totalled £103,219 compared to a planned deficit of £1,800. The main cause for the variance was a shortfall in budgeted receipts. £89,197 was associated with the quicker than expected move from contracts with a premium recharge to contracts



with rebate arrangements. A further shortfall amounting to £49,808 resulted from lower use by members. Lower employee costs due to factors such as time recharged to the Scotland Excel project, (£62,390) excluding FRS 17 adjustments, helped to offset these revenue shortfalls. Accumulated surpluses total £807,076 but as the Joint Committee does not have the statutory powers to hold reserves, this balance is shown in the financial statements within creditors as amounts due to constituent member councils.

10. The Joint Committee's balance sheet shows a net liability in 2006/07 of £453,000. The negative balance reflects pension liabilities falling due in future years. This liability is £657,000 less than the liability that existed in 2006/07 and reflects an improved performance of pension fund investment management. 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. We also understand that the Joint Committee is fully expected to operate for a further twelve months from the balance sheet date. As such, the financial statements have been presented on a going concern basis.

Legality

11. 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.
12. There are no additional legality issues arising from our audit which require to be brought to members' attention.



Governance

Overview of arrangements in 2006/07

13. 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.
14. The Joint Committee is also subject to inspection by Renfrewshire Council's internal audit department. Timing of audit coverage is cyclical and based on an assessment of risk. The activities of the Joint Committee were subjected to an internal audit review during 2006/07.
15. A Statement on the System of Internal Financial Control is included within the annual financial statements, and states the Treasurer's and Director'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

16. 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 or the Joint Committee's transactions.

Prevention and detection of fraud and irregularities

17. The Joint Committee does not have in place its own arrangements for the prevention and detection of fraud and corruption. Instead the Committee complies with the relevant policies of Renfrewshire Council. There were no frauds identified within the Joint Committee in 2006/07.



Final Remarks

18. 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.

19. The co-operation and assistance given to us by the Authorities Buying Consortium and the relevant officers within Renfrewshire Council is gratefully acknowledged.

Audit Scotland

1st October 2007