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Chartered Accountants

**East of Scotland European Consortium**

**Report to Members and the  
Controller of Audit**

**2010/11**

**External Audit Report No: 2010-01**

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## Contents

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|  | <b>Page</b>    |
|--|----------------|
| <b>1. Executive Summary</b>                        | <b>1</b>       |
| <b>2. Introduction</b>                             | <b>3</b>       |
| <b>3. Finance</b>                                  | <b>4 – 8</b>   |
| <b>4. Governance</b>                               | <b>9 – 10</b>  |
| <b>5. Action Plan</b>                              | <b>11 - 15</b> |
| <br>   |                |
| <b>Appendix I      Respective Responsibilities</b> | <b>16</b>      |
| <b>Appendix II     Acronyms</b>                    | <b>17</b>      |

### **Restriction on Use**

This report has been prepared in accordance with our responsibilities under International Standards on Auditing and Audit Scotland's Code of Audit Practice for the audit of East of Scotland European Consortium's statement of accounts. Our audit does not necessarily disclose every weakness and for this reason the matters referred to in this report may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of East of Scotland European Consortium and its Policy Board and will be shared with the Accounts Commission and Audit Scotland
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes



# 1. Executive Summary

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## Introduction

1. The East of Scotland European Consortium ('ESEC') is a non-statutory joint committee representing the European interests of eleven local authorities in Eastern Scotland. Member authorities collaborate on a shared European agenda.

## Finance

2. Our opinion on the financial statements is unqualified. The financial statements:
  - give a true and fair view, in accordance with applicable law and the 2010/11 Code, of the affairs of the Consortium as at 31 March 2011 and of the income and expenditure of the Consortium for the year then ended
  - have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as interpreted and adapted by the Code of Practice on Local Authority Accounting 2010/11 (2010/11 Code); and
  - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
3. The Consortium's Comprehensive Income and Expenditure Statement reports a surplus on the provision of services for the year of £7,365. After making adjustments for items required by statute to be charged to the General Fund, the Consortium reported an increase in the General Fund balance for the year of £7,050.
4. The Consortium reported an under spend for the financial year of £7,050, against a budgeted breakeven position.
5. A key risk for the Consortium in future years is the reduction in the level of income due to the reduction in the number of Consortium members. The 2011/12 budget has been set based on subscription income from eight local authorities, a reduction of three from the level in 2010/11, after a reduction of two in 2009/10.

## Governance

6. The 11 elected members of the Consortium are drawn from the 11 constituent councils. Together with support from an officer from each Council, the elected Members form the Policy Board. The Board is the decision making body of the Consortium and meets twice a year, rotating around all Member authorities.
7. An Officer Group meets twice a year to discuss current issues and agree the agenda for the forthcoming Policy Board meeting.
8. The Consortium's financial transactions are processed through Aberdeen City Council's financial systems. It is the responsibility of the Council's management to maintain adequate financial systems and associated internal controls.
9. Our review of these systems was conducted as part of the audit of Aberdeen City Council and supplemented by specific audit work on the Consortium's statement of accounts. No areas of concern were identified relating to specific transactions.



## 1. Executive Summary

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### Governance (cont'd)

10. The Statement on the System of Internal Financial Control states that reasonable assurance can be placed upon the adequacy and effectiveness of the consortium's internal financial control system. The statement complies with accounting requirements and in respect of the underlying accounting systems operated by Aberdeen City Council is not inconsistent with the findings of our audit.
11. While the systems operated by Aberdeen City Council which underpin the accounting systems for ESEC did not yield any areas of concern, the way in which the systems are used for ESEC, the way in which the year-end accounts completion process is undertaken, and the ownership and responsibility for the accounts all have scope for improvement.

### Acknowledgement

12. This is the final year of our appointment as external auditors. Our audit has brought us in contact with officers within the Consortium and Aberdeen City Council staff. We would like to take this opportunity to place on record our appreciation of the co-operation and assistance extended to us in the discharge of our duties.
13. We will liaise with the Consortium's incoming auditors to achieve a coordinated handover of the audit and to ensure that the incoming auditors are fully briefed on all relevant matters.

## 2. Introduction

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### Introduction

14. We are pleased to submit our annual report, covering significant matters arising during the course of our audit of the Consortium for the year ended 31 March 2011.
15. Our overall responsibility as the external auditor of the Consortium is to undertake our audit in accordance with the principles contained in the Audit Scotland Code of Audit Practice. The Code sets out the need for public sector audits to be planned and undertaken from a wider perspective than in the private sector, involving assurance on the financial statements but also consideration of areas such as regularity, performance and achievement of Best Value. The respective responsibilities of the Consortium's Members, Officers and Auditors are set out in Appendix I to this report.
16. Broadly the scope of our audit was to:
  - provide an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission (the Code)
  - review and report on the Consortium's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, prevention and detection of corruption, and the Consortium's financial position
  - review and report on the Consortium's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources and in securing Best Value
17. As part of our overall planning approach to the Consortium's annual audit we carried out a review of the key financial risks, national and local, facing the Consortium and have continued to monitor them during the year through attendance at Committee meetings, review of minutes and discussions with officers. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff. Except to the extent necessary for the purposes of the audit, this information has not been independently verified.
18. This report summarises the findings from our 2010/11 audit of the Consortium. Findings are set out in two sections: finance and governance.
19. We have made some recommendations which are intended to address the issues identified during the course of the audit and improve the audit process for future years. They are included in an Action Plan at Section 5. We have also followed up the Action Plans agreed in 2008/09 and 2009/10 and progress on these recommendations is also included at Section 5. It is disappointing to note that very little progress has been made on a number of the recommendations made in previous years. However following a recent discussion with the Treasurer and his team a commitment has been given to address the issues raised.
20. We take this opportunity to remind you that external auditors do not act as a substitute for the Consortium's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used efficiently, economically and effectively.

### 3. Finance

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#### Financial Statements Audit

21. We are pleased to report that the target date of 30 September 2011 for the audit completion and certification of the annual accounts was met. We have given an unqualified opinion on the financial statements for the year ended 31 March 2011.
22. We set out below a summary of the audit certification issues:
- the financial statements give a true and fair view, in accordance with applicable law and the 2010/11 Code of the state of the affairs of the Consortium as at 31 March 2011 and of the income and expenditure of the Consortium for the year then ended
  - the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code
  - the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003
  - the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985
  - the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements
  - the Statement on the System of Internal Financial Control complies with the 2010/11 Code.
23. Non-compliance with statute or regulations may materially affect the financial statements. Our audit procedures include the following:
- reviewing minutes of relevant meetings
  - enquiring of senior management the position in relation to litigation, claims and assessments
  - detailed testing of transactions and balances
24. We confirm that we did not identify any instances of concern with regard to the legality of transactions or events.
25. We also request written confirmation from the Treasurer that the Consortium's financial transactions accord with relevant legislation and regulations. He has confirmed that he is not aware of any actual or potential non-compliance with laws and regulations that could have a material effect on the ability of the Consortium to conduct its business and therefore on the results and financial position to be disclosed in the statement of accounts for the year ended 31 March 2011.
26. Under International Standard on Auditing (ISA) 260, we are required to communicate certain matters arising from the audit to those charged with governance. The areas considered are summarised in Table 1 below. The matters referred to in the table were discussed with the Chair on 30 September prior to the accounts being signed.

### 3. Finance

**Table 1: ISA260 Reporting**

| Area  | Key Messages  |
|---|---|
| Nature and scope of audit   | We have planned our audit in accordance with International Auditing Standards and the Code.   |
| Integrity and objectivity of the audit engagement partner and audit staff | As external auditors, we are required to communicate on a timely basis all facts and matters that may have a bearing on our independence. We provided no consultancy or non audit services to the East of Scotland European Consortium during the year and can confirm that we have complied with the Auditing Practices Board Ethical Standard 1 – Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.   |
| Accounting policies and practices   | In our opinion there is one issue that require to be brought to the Consortium’s attention regarding the appropriateness of the accounting policies and practices.<br><br>The adequacy of the resources within both the Finance section of Aberdeen City Council and ESEC Officers should be considered to ensure that they are sufficient to be able to maintain a robust financial system to produce accounts and other information which is both timely and accurate. The number of audit and presentational adjustments required to be made to the draft accounts is disproportionate to the size of the organisation and gives cause for concern. Consideration should be given to ensure that the accounts and audit preparation process should be reviewed (see Action Plan at Section 5). |
| Material Risk and exposure  | The Consortium has confirmed that it has no material risks and exposures which should be reflected in the Statement of Accounts and the Treasurer has confirmed this in the Letter of Representation. Further comments on specific risks and how the Consortium has mitigates these is included in paragraphs 36 to 41 of this report.  |
| Audit Adjustments   | Three material and two significant audit adjustments were identified during the course of our audit. These are discussed further at paragraph 27 of this report. There were also a significant number of presentational adjustments required to ensure that the accounts were fully compliant with the Code.  |
| Unadjusted Misstatements  | There were no unadjusted misstatements (other than those which are trivial).  |
| Material Uncertainties  | There are no material uncertainties relating to events and conditions that cast significant doubt on the Consortium’s ability to continue as a going concern.   |
| Fundamental Disagreements   | There are no areas of disagreement with management that, individually or in aggregate, have a significant impact on the financial statements and our audit report.  |
| Modifications to our audit report   | There are no modifications to our audit report.   |
| Material Weaknesses   | No material weaknesses in the accounting and internal control systems were identified during the audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the accounts.  |
| Other matters relevant to the audit                                       | There are no other matters which we need to draw to your attention.   |

27. Three material and two significant audit adjustments were identified during the course of our audit and were discussed with the Finance Team. All of the adjustments were agreed and the financial statements amended. **Table 2: Audit adjustments – impact on the financial statements** below summarises the impact on the financial statements.

### 3. Finance

**Table 2: Audit adjustments – impact on the financial statements**

| Ref | Journal Entry  | CIES/ MIRS   |              | Balance Sheet |              |
|-----|--|--------------|--------------|---------------|--------------|
|     |  | DR<br>£      | CR<br>£      | DR<br>£       | CR<br>£      |
|     | <b>Material Adjustments</b>  |              |              |               |              |
| 1   | 2009/10 Third Party Payments   | 837          |              |               |              |
|     | 2009/10 Short Term Creditors   |              |              |               | 837          |
|     | 2010/11 Short Term Creditors   |              |              | 837           |              |
|     | 2010/11 Third Party Payments   |              | 837          |               |              |
|     | <i>Being material accrual for Accounts Advert not included in prior year accounts (reversed in current year).</i>  |              |              |               |              |
| 2   | 2010/11 Other Income   | 750          |              |               |              |
|     | 2010/11 Transport Costs  |              | 750          |               |              |
|     | <i>Being reimbursed expenses incorrectly included in income</i>  |              |              |               |              |
| 3   | 2008/09 Accumulating Compensated Absences Adjustment Account (ACAAA)   |              |              | 1,115         |              |
|     | 2008/09 Other Short Term Liabilities   |              |              |               | 1,115        |
|     | 2010/11 Other Short Term Liabilities   |              |              | 315           |              |
|     | 2010/11 MIRS   | 315          |              |               |              |
|     | 2010/11 Staff Costs  |              | 315          |               |              |
|     | 2010/11 Accumulating Compensated Absences Adjustment Account   |              |              |               | 315          |
|     | <i>Being restatement of 1 April 2009 Opening Balance Sheet for Holiday Pay Accrual in accordance with IFRS, and process of movements in 2010/11 (note: no movement in accrual for 2009/10)</i> |              |              |               |              |
|     | <b>TOTAL MATERIAL ADJUSTMENTS</b>  | <b>1,902</b> | <b>1,902</b> | <b>2,267</b>  | <b>2,267</b> |
|     | <b>Significant Adjustments</b>   |              |              |               |              |
| 1   | 2010/11 Other Income   | 200          |              |               |              |
|     | 2010/11 Transport Costs  |              | 200          |               |              |
|     | <i>Being reimbursed expenses incorrectly included in income (accounts only - ledger correct)</i>   |              |              |               |              |
| 2   | 2010/11 Third Party Payments   | 500          |              |               |              |
|     | 2010/11 Short Term Creditors   |              |              |               | 500          |
|     | <i>Being increase in 2010/11 audit accrual (accounts only - ledger correct)</i>  |              |              |               |              |
|     | <b>TOTAL SIGNIFICANT ADJUSTMENTS</b>   | <b>700</b>   | <b>200</b>   | <b>-</b>      | <b>500</b>   |
|     | <b>TOTAL ADJUSTMENTS</b>   | <b>2,602</b> | <b>2,102</b> | <b>2,267</b>  | <b>2,767</b> |

28. The net effect of the agreed adjustments on the Comprehensive Income and Expenditure Statement (CIES) for 2010/11 was £652, increasing the surplus reported in the draft accounts of £6,713 to £7,365. The prior period adjustments also decreased the 2009/10 reported surplus in the draft accounts of £22,265 to £21,428.
29. The adjustment for the holiday pay accrual (material adjustment no. 3) is a book entry which is subsequently adjusted further within the Movement in Reserves Statement (MIRS). As a result, the impact on the General Fund was a reduction of £500 to £78,618.
30. The audit adjustments impacting on the Consortium's Balance Sheet decreased the net assets by £1,300 to £77,818.



### 3. Finance

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#### Financial Position and Performance

31. As detailed in the Comprehensive Income and Expenditure Statement, the Consortium reported a surplus on Provision of Services of £7,365 (2009/10: surplus of £21,428). After making adjustments of £315 through the Movement in Reserves Statement (MIRS) for items required by Statute to be charged to the General Fund, the Consortium has reported an increase of £7,050, resulting in a General Fund balance carried forward of £78,618 at 31 March 2011.
32. Financial performance is measured against the financial budget set by the Consortium in February 2010 for 2010/11. In this regard the Consortium reported an underspend for the financial year of £7,050 against a budgeted breakeven position.
33. The budget for 2011/12 has set expenditure at a level in excess of the income for the year, therefore are budgeting to utilise £11,705 of the General Fund balance carried forward. The budgeted annual membership income for 2011/12 is based on a subscription income of £6,750 from eight local authorities, a reduction of three from the level in 2010/11, after a reduction of two in 2009/10. A key risk going forward is that more authorities withdraw their membership given other budget pressures arising from the Spending Review.
34. In our **2008/09 Report to Members and the Controller of Audit**, Report 2009/02, we recommended that Consortium staff should liaise with officers in the finance function of Aberdeen City Council to produce budgets that can be input into the ledger. This would result in budget monitoring reports that are comparable with the final accounts. As noted in our follow-up Action Plan at Section 5, this was not implemented in either 2009/10 or 2010/11. Further work is therefore still required to bring the budget into a format that is compatible with the ledger.
35. The Consortium holds reserves which consist of earmarked amounts set aside to support future year's expenditure and contingencies for unexpected events or emergencies. At 31 March 2011, the General Fund Reserve held by the Consortium totalled £78,618. The balance has increased by £7,050 as a result of the surplus for the year.

#### Material Risks and Exposures

36. Our audit planning identified a number of material risks and exposures faced by the Consortium that we assessed might impact on the Consortium's accounts. The following paragraphs summarise these issues along with other issues identified during the audit and how they have been resolved.

##### **International Financial Reporting Standards**

37. From 2010/11, local authority and associated bodies accounts must be prepared in accordance with International Financial Reporting Standards (IFRS). Authorities needed to restate the 2009/10 comparative information onto an IFRS basis, and disclose a restated 1 April 2009 IFRS-based Balance Sheet.
38. From our initial review of the draft accounts received in June 2011, we noted that they had not been prepared on an IFRS basis and were therefore rejected. As such we did not consider that proper draft accounts were made available for audit by the statutory date of 30 June. Revised draft accounts, incorporating all of the requirements of IFRS, were received in mid-September. From our audit of the revised draft accounts, we are satisfied that the

### 3. Finance

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comparative information has been accurately restated and that the 2010/11 financial statements have been prepared in accordance with IFRS.

#### Material Risks and Exposures (cont'd)

##### Remuneration Report

39. The Local Authority Accounts (Scotland) Amendment Regulations 2011 requires authorities to prepare a remuneration report as part of its annual accounts from 2010/11. The Consortium has considered the requirements of the Regulations and has concluded that it has no employees that require to be disclosed and makes no payment of salary, allowances or pension contributions to any Councillors who are appointed members of the Consortium. This has been disclosed in the Explanatory Foreword to the accounts.

##### 2010/11 Code Disclosure

40. A completed CIPFA Disclosure Checklist was received when the revised draft accounts were received for audit. This confirmed that the accounts met the Code disclosure requirements in all material respects.

##### Pensions

41. Consortium staff are Aberdeen City Council employees and the Council is an admitted body of the Local Government Superannuation Scheme administered by Aberdeen City Council. The Consortium staff pension costs are reflected in the Council's financial statements.

##### Accounts process and ownership

42. During the course of our work we noted a lack of coordination between ESEC team members and the Finance team at Aberdeen City Council. The number of errors and adjustments required were significantly higher than we would anticipate in an organisation of the size of ESEC. It is not the role of the auditor to drive the accounts process. However we did not see evidence of ownership of the accounts process and we consider we were involved in assisting in the completion of the accounts to a greater degree than should have been required. We have concluded that there needs to be greater coordination between ESEC and the Finance team and that ownership and responsibility for the accounts is a matter which requires attention going forward.

## 4. Governance

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### General

43. The 11 elected members of the Consortium are drawn from the 11 constituent Councils. Together with support from an officer from each Council, the elected Members form the Policy Board. The Board meets twice a year, rotating around all member authorities, and is the decision making body of the Consortium.
44. Clackmannanshire and Midlothian Council's left the Consortium on 31 March 2010, this reducing the number of elected members and supporting officers to 11 of each during 2010/11.
45. An Officer Group meets twice a year to discuss issues and agree the agenda for the forthcoming Policy Board meeting.
46. The Policy Board met twice during 2010/11 receiving and approving the 2010/11 budget, receiving financial monitoring updates and reports on other matters of relevance to the role and work of the Consortium. Due to the reduction in meetings, we have recommended that budget monitoring reports be produced at least on a quarterly basis and circulated to all members.
47. The Officer Group met twice during 2010/11, discussing and drawing up the 2011/12 budget, discussing and drafting financial monitoring updates and other relevant reports, and setting the agendas for the Policy Board meetings.
48. Responsibility for providing administration and support services remained with Aberdeen City Council for the period to 31 March 2011.

### Internal Control

49. The Consortium's financial transactions are processed through Aberdeen City Council's financial systems. It is the responsibility of the Council's management to maintain adequate financial systems and associate internal controls.
50. As reported in our 2008/09 and 2009/10 Annual Reports, there is currently no Service Level Agreement in place with Aberdeen City Council to document the services being provided. There is therefore a risk that the service expectations are not clear to all parties. We have recommended that a Service Level Agreement should be agreed with Aberdeen City Council. Consideration should be given to incorporating monitoring arrangements to ensure delivery is per the specifications. (see also Follow-up Action Plan at Section 5)

### Annual Governance Statement

51. As reported in our 2009/10 Annual Report, in June 2007, CIPFA in association with SOLACE published the revised Framework – Delivering Good Governance in Local Government. This recommends that the review of the effectiveness of the system of internal control should be reported in an Annual Governance Statement. The Consortium has opted not to introduce this during 2010/11. While this has not been designated as statutory proper practice, the Consortium should be encouraged to include an Annual Governance Statement within its statement of accounts for 2011/12. (See also Follow-up Action Plan at Section 5)

## 4. Governance

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### Internal Audit

52. The Consortium utilises the internal audit service of Aberdeen City Council. 2010/11 is the third year where no internal audit work has been carried out. We have previously recommended that as part of discussions with Aberdeen City Council to agree a Service Level Agreement, consideration should be given to requesting the Council's Internal Audit provider to carry out a review of the robustness of the systems in internal financial control. This has still to be done. (See also Follow-up Action Plan at Section 5)

### Fraud and Irregularity

53. As external auditors we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.
54. Through its arrangements with the constituent Councils, the Consortium has appropriate arrangements in place to help prevent and detect fraud and irregularity. These arrangements include adopting each constituent Councils policies and strategies including their anti-fraud and corruption strategies, whistle blowing policies and codes of conduct for elected members and staff. Overall we concluded that arrangements were generally satisfactory to prevent and detect fraud and other irregularities.
55. We are required to have arrangements in place to be notified of all frauds over £5,000 and to submit reports to Audit Scotland. No such frauds were reported during 2010/11.



## 5. Action Plan

| Observation and Risk  | Recommendation  | Management Response   |          |
|---|---|---|----------|
| <p>1. The number of Policy Board meetings has reduced to twice a year, therefore scrutiny and ongoing monitoring of the expenditure in the year has also been reduced.</p>  | <p><b>R1.</b> Quarterly budget monitoring reports should be prepared and sent to all members of the Policy Board for review and scrutiny.</p> <p>This recommendation should be followed up alongside 2008/09 <b>R2</b> to ensure that information provided to Members is accurate and transparent.</p>                                | <p>Agreed, this will be put in place to ensure reasonable scrutiny and review can be conducted by Board members</p> <p><b>To be actioned by:</b><br/><b>No later than: 31 December 2011</b></p>   |          |
|   |   | <b>Grade</b>  | <b>B</b> |
| <p>2. The production of the revised accounts and audit process has been delayed during 2010/11. This is partly as a result of a lack of understanding by those involved of the requirements of the accounts production process.</p> | <p><b>R2.</b> Regular meetings should be held between the Officers in ESEC and the responsible accountant at Aberdeen City Council to ensure that queries and audit requirements are followed up on a timely basis and to ensure that information used to prepare budget monitoring reports is accurate, detailed and up to date.</p> | <p>Arrangements to have scheduled, regular meetings with ESEC management will be put in place and year end processes are being reviewed to ensure that improvements are made in the production of the 2011/12 accounts and the timing of responses to audit queries.</p> <p><b>To be actioned by:</b><br/><b>No later than: 31 March 2012</b></p> |          |
|   |   | <b>Grade</b>  | <b>B</b> |



## 5. Action Plan

### Follow-up 2009/10 Recommendations

| Recommendation  | Management Response   |                 | Progress at November 2011   |
|---|---|-----------------|---|
| <p><b>R1.</b> Consideration should be given to producing a single Annual Governance Statement for inclusion within the 2010/11 Financial Statements.</p>  | <p>Agreed to consider.</p> <p>Due to the size of the organisation and the costs associated with producing this statement, it may not be practical to produce a full Annual Governance Statement. However, a proportionate level of reporting will be considered.</p> <p><b>To be actioned by:</b> Policy Board</p> <p><b>No later than:</b> 31 March 2011</p> |                 | <p>In consideration of the size and resources of ESEC, while the SSIFC is the requirement for compliance with the Code of Practice this will remain the basis of reporting through 2011/12.</p> <p>In recognition that this requirement is likely to be replaced by the Annual Governance Statement then ESEC will look at putting in place the basis for reviewing governance on an annual basis and for inclusion of an Annual Governance Statement in the accounts for 2012/13.</p> <p><b>Revised Completion Date: 31 March 2013</b></p> <p><b>Partially Implemented</b></p> |
| <p><b>R2.</b> As part of discussions with Aberdeen City Council to agree a Service Level Agreement, consideration should be given to requesting the Council's Internal Audit provider to carry out a review of the robustness of the systems in internal financial control.</p> | <p>Agreed.</p> <p><b>To be actioned by:</b> ESEC Officers</p> <p><b>No later than:</b> 31 March 2011</p>  |                 | <p>It is considered inappropriate given the scale of ESEC to be subject to a specific internal audit. As ESEC is accounted for and transactions are controlled through corporate systems then Internal Audit will be asked to consider including samples of transactions from ESEC in their regular audit work on those systems, such as Payroll and Creditors.</p> <p><b>Revised Completion Date: 31 December 2011</b></p> <p><b>Partially Implemented</b></p>   |
|   | <p><b>Grade</b></p>   | <p><b>B</b></p> |   |



## 5. Action Plan

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## 5. Action Plan

### Follow-up 2008/09 Recommendations

| Recommendation   | Management Response  | Progress at November 2011   |
|--|--|---|
| <p>R2. Consortium staff should liaise with officers in the finance function of Aberdeen City Council to produce budgets that can be input into the ledger. This would result in budget monitoring reports that are comparable with the final accounts.</p> | <p>Agreed this will be implemented as soon as possible with regard to 2009-10 and by 31 January 2010 at the latest by Consortium and Aberdeen City Council officers. The budget for 2010-11 will follow the revised procedure.</p> <p><b>To be actioned by:</b> Consortium and Aberdeen City Council officers</p> <p><b>No later than:</b> 31 January 2010</p> | <p>Within the 2011/12 ledger for ESEC a budget will be established against which the monitoring and budget management can be undertaken.</p> <p><b>Revised Completion Date: 31 December 2011</b><br/><i>Not implemented</i></p> |
|  | <p><b>Grade</b></p>  | <p><b>B</b></p>   |



## 5. Action Plan

| Recommendation   | Management Response   |   | Progress at November 2011   |
|--|---|---|---|
| <p><b>R4.</b> The Consortium should undertake a review of its financial management arrangements and should consider arrangements for;</p> <ul style="list-style-type: none"> <li>• banking;</li> <li>• recording its transactions within Aberdeen City Council's ledger; and</li> <li>• managing transactions between Aberdeen City Council and the Consortium.</li> </ul> | <p>Agreed – Consortium and Aberdeen City Council officers will review the position jointly by 31 March 2010, however it should be noted that a similar exercise was carried out while ESEC operated from Clackmannanshire and it was found that the present arrangements were the most costs effective and efficient.</p> <p><b>To be actioned by:</b> Consortium and Aberdeen City Council officers</p> <p><b>No later than:</b> 31 March 2010</p> |   | <p>Aberdeen City Council account for and record ESEC transactions separately from those of the Council and in so doing ensure that there is clarity in those records that are ESEC and those that are the Council. There is no additional requirement for a separate bank account and any excess funds are held and invested in the Aberdeen City Council Loans Fund. This represents an effective and efficient means of managing the transactions for ESEC.</p> <p><b>Fully implemented</b></p> |
| <p><b>R5.</b> A Service Level Agreement should be agreed with Aberdeen City Council. Consideration should be given to incorporating monitoring arrangements to ensure delivery is per the specifications.</p>  | <p>Agreed – this will be taken forward initially by Consortium officers who will liaise with Aberdeen City Council officers and be finalised by 31 March 2010.</p> <p><b>To be actioned by:</b> Consortium and Aberdeen City Council officers</p> <p><b>No later than:</b> 31 March 2010</p>  |   | <p><b>Draft SLA issued to legal officers will be followed up as a matter of urgency and a target is set for the completion of this.</b></p> <p><b>Revised Completion Date: 31 January 2012</b></p> <p><b>Not implemented</b></p>  |
|  | Grade   | B |   |



## Appendix I – Respective Responsibilities

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Each public sector body is accountable for the way in which it has discharged its stewardship of public funds. Stewardship is a function of both executive and non-executive management and, therefore, responsibility for effective stewardship rests upon both Members and Officers of a public sector body.

That responsibility is discharged primarily by the establishment of sound arrangements and systems for the planning, appraisal, authorisation and control over the use of resources, and by the preparation, maintenance and reporting of accurate and informative accounts.

It is our responsibility to undertake an independent appraisal of the discharge by management of its stewardship responsibilities, to enable us to give an assurance that those responsibilities have been reasonably discharged.

The Consortium's Board and the Treasurer's responsibilities for the Statement of Accounts are set out on page 5 of the annual statement of accounts. Our responsibility is to form an independent opinion, based on our audit, on the financial statements and report that opinion to you.

We are required to review whether the Consortium's Statement on the System of Internal Financial Control reflects compliance with the 2009 SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Consortium's corporate governance procedures or its risk and control procedures.



## Appendix II – Acronyms

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| CIES   | Comprehensive Income and Expenditure Statement       |
| CIPFA  | Chartered Institute of Public Finance and Accounting |
| ESEC   | East of Scotland European Consortium                 |
| IFRS   | International Financial Reporting Standards          |
| ISA    | International Standards on Auditing                  |
| MIRS   | Movement in Reserves Statement                       |
| SOLACE | Society of Local Authority Chief Executives          |