

West of Scotland European Forum

Annual report on the 2010/11 audit



Prepared for Members of West of Scotland European Forum and the Controller of Audit
October 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Key messages	4
2010/11	4
Introduction	5
Financial statements	6
Audit opinion	6
Accounting issues	7
Outlook.....	8
Financial position	9
Financial results	9
Outlook.....	9
Governance and accountability	10

Key messages

2010/11

In 2010/11, we audited the financial statements and looked at aspects of governance within West of Scotland European Forum (WSEF). This report sets out our main findings.

Overall, we found the financial stewardship of WSEF 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 2010/11
- Final accounts preparation procedures and working papers were of a good standard and this enabled the audit to progress smoothly
- WSEF has a sound corporate governance framework.

We are also satisfied with disclosures made in the statement on the system of internal financial control.

Introduction

1. The members of WOSEF 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
 - WOSEF'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
 - WOSEF 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 misstatement, error, fraud or corruption
 - WOSEF has proper arrangements for securing best value in its use of resources.
2. This report summarises the issues arising from our work during 2010/11.

Financial statements

3. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.
4. Auditors review and report on, as appropriate, other information published with the financial statements, including the explanatory foreword and the statement on the systems of internal financial control. This section summarises the results of our audit of the financial statements.

Audit opinion

5. We have given an unqualified opinion on the financial statements of WOSEF for 2010/11, concluding that the financial statements:
 - give a true and fair view, in accordance with applicable law and the 2010 Code of the state of affairs of WOSEF during the year ended 31 March 2011, and of the income and expenditure of WOSEF for the year then ended
 - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code
 - have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Statutory objection

6. Citizens have the right to make a statutory objection under section 101(2) of the Local Government (Scotland) Act 1973. No objections were received in relation to the WOSEF 2010/11 financial statements.

Legality

7. Through our planned audit work we consider the legality of the financial transactions. In addition, as the lead authority, Glasgow City Council's Executive Director of Financial Services has confirmed that, to the best of their knowledge and belief, and having made appropriate enquiries of the organisation's management team, the financial transactions of WOSEF were in accordance with relevant legislation and regulations. There are no legality issues arising from our audit which require to be brought to members' attention.

Going concern

8. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. WOSEF has considered it appropriate to adopt a going concern basis for the preparation of the financial statements.

Statement on the System of Internal Financial Control

9. WOSEF's financial transactions are processed through Glasgow City Council's financial systems. Our review of these systems was conducted as part of the council's audit, supplemented by specific audit work on the WOSEF's financial statements.
10. We are satisfied with the disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place to obtain the necessary assurances.

Remuneration report

11. As the senior management of WOSEF are all Glasgow City Council employees and have been considered in relation to disclosure in the council's remuneration report, we are satisfied that there is no requirement to include a remuneration report in WOSEF's financial statements, as set out in the Local Authority Accounts (Scotland) Act 1985 and Scottish Government finance circular 8/2011. However, a disclosure note has been inserted to explain the omission of such a report.

Accounting issues

12. Local authorities and joint committees in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code). We are satisfied that WOSEF prepared the 2010/11 financial statements in accordance with the Code.
13. During the audit we identified that the accounts included £3,353 of travel and operational costs in 2010/11 that actually related to 2009/10. An amendment has been made to the accounts to reflect the expenditure in the correct year.
14. The Code requires bodies to provide for liabilities arising from employee benefits payable at the balance sheet date. This includes items such as untaken annual leave and flexitime. However, as WOSEF's only employee is contracted to Glasgow City council rather than the body itself, and their costs recharged, any associated employee benefit liability is reflected in the council's financial statements as part of their assessment of liabilities. The narrative notes to the financial statements reflect this arrangement. We are satisfied that the approach adopted complies with the requirements of the Code.

Accounts preparation & submission

15. WOSEF's financial statements were submitted to the Controller of Audit by the deadline of 30 June.
16. The 2010/11 financial statements have been prepared in accordance with the 2010 Code which is based on International Financial Reporting Standards (IFRS) instead of the previous practice of preparing financial statements under UK Generally Accepted Accounting Practice (GAAP).

Outlook

Audit appointment for 2011/12

17. Audit appointments are made by the Accounts Commission, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment and we would like to thank officers and members for their assistance during the last five years. The procurement process for the next five years was completed in May 2011. From next year (2011/12) Audit Scotland will again be the appointed auditor for WOSEF but a different audit team will be in place. We look forward to continuing the good working relationships that exist.

Financial position

18. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
19. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
20. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results

Financial position

21. In 2010/11 WOSEF generated a surplus on the provision of services of £25,472 compared to £11,741 in 2009/10.
22. WOSEF's balance sheet as at 31 March 2011 reflected net assets of £139,982, an increase of £25,472 reflecting the surplus on the provision of services for the year.

Outlook

2011/12 financial plans

23. Following a review of its lobbying functions and termination of Brussels representation in 2010/11 WOSEF became a member of the Industrial Communities Alliance. WOSEF agreed to reduce substantially the subscriptions payable by its membership in 2010/11 which are planned to be further reduced as a result of the Brussels office lease being terminated in December 2010.

Governance and accountability

Relationship with host authority

24. WOSEF 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 we have responsibility to report on WOSEF's corporate governance arrangements and review the statement on the system of internal financial control.
25. In accordance with WOSEF's minute of agreement, financial transactions are processed through Glasgow City Council's financial systems. It is the responsibility of the council's management to maintain adequate financial systems and associated internal controls, both for the purpose of giving an opinion on the statements of accounts, and in order to report on the adequacy of such systems and controls.
26. Our review of these systems was conducted as part of the audit of Glasgow City Council and supplemented by specific audit work on WOSEF's financial statements. Our conclusions are that Glasgow City Council's financial systems are adequate for the purpose of producing the financial statements. No areas of significant concern were identified relating to the transactions.
27. The statement on the system of internal financial control states that reasonable assurance can be placed upon the adequacy and effectiveness of WOSEF's internal financial control system. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.