

West of Scotland European Forum

Annual report on the 2011/12 audit



Prepared for Members of West of Scotland European Forum and the Controller of Audit
October 2012

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
2011/12	4
Outlook.....	4
Introduction	5
Financial statements	6
Audit opinion	6
Accounting issues	7
Financial position	8
Financial results and financial position	8
Outlook - financial planning	8
Governance and accountability	9
Corporate governance.....	9
Prevention and detection of fraud and irregularities.....	10
Standards of conduct and arrangements for the prevention/ detection of bribery and corruption	10
Appendix A: audit reports	11

Key messages

2011/12

In 2011/12 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 2011/12
- WSEF has a sound corporate governance framework.

Outlook

Budgetary projections for 2012/13 estimate expenditure to be approximately at similar levels to the previous year but it was agreed that the Forum should aim to reduce its usable reserve balance over the coming years and reduce the contributions levied on those participating in the Forum.

Introduction

1. This report is the summary of our findings arising from the 2011/12 audit of WOSEF. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of WOSEF.
3. This report is addressed to WOSEF Joint Committee and the Controller of Audit and should form a key part of discussions with the committee, as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
4. This report will be published on our website (<http://www.audit-scotland.gov.uk>) after consideration by the committee.
5. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

6. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
7. We 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.
8. We review and report on, as appropriate, other information published with the financial statements, including the foreword, statement on internal control and the remuneration report. This section summarises the results of our audit on the financial statements.

Audit opinion

9. We have given an unqualified opinion that the financial statements of WOSEF Joint Committee for 2011/12 give a true and fair view of the state of the body's affairs and its net surplus on the provision of services for the year.
10. We also confirmed that information given in the foreword was consistent with the financial statements.

Legality

11. 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 her 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

12. 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

13. 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.

14. 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

15. As the senior management of WOSEF are all Glasgow City Council employees and no one in the project team is paid more than £50,000, 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

16. Local authorities and joint committees in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). We are satisfied that the Joint Committee prepared the 2011/12 financial statements in accordance with the Code and in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Accounts preparation & submission

17. The Joint Committee's financial statements were submitted to the Controller of Audit by the deadline of 30 June. Final accounts preparation procedures and working papers were of a good standard and this enabled the audit to progress smoothly.

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. We 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 and financial position

21. In 2011/12 the Joint Committee generated a surplus on the provision of services of £7,952 compared to £25,472 in 2010/11.
22. The Joint Committee's balance sheet as at 31 March 2012 reflected net assets of £147,934, an increase of £7,952 reflecting the surplus on the provision of services for the year.

Outlook - financial planning

23. The committee agreed the Forum's budgetary projections and associated contribution levels for 2012/13 on 7 September 2012.
24. Budgetary projections for 2012/13 estimate expenditure to be £58,000, approximately in line with the previous year. Estimated expenditure includes staff costs (£17,000), travel/operational costs (£7,000), ICA affiliation (26,000), audit/miscellaneous (£3,000) and special initiative/events (£5,000).
25. In addition it was agreed that the Forum's future budgetary planning should aim to reduce its usable reserve balance over the coming years.

Governance and accountability

26. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
27. Through its chief executive or accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance in monitoring these arrangements.
28. Consistent with the wider scope of public audit, we have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of bribery and corruption
29. In this part of the report we comment on key areas of governance.

Corporate governance

Overall effectiveness

30. We found that, overall, corporate governance arrangements operated effectively during 2011/12.

Relationship with host authority

31. 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.
32. 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.

33. 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 Forum's financial statements. No areas of significant concern were identified relating to the transactions.
34. 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 consistent with the findings of our audit.

Prevention and detection of fraud and irregularities

35. The arrangements established for the prevention of fraud and irregularities have been considered by the audit of Glasgow City Council as the host authority - covering Fraud policy, Whistleblowing policy, etc. There are no matters that we wish to bring to the attention of the Joint Committee.

NFI in Scotland

36. Glasgow City Council participates in the National Fraud Initiative (NFI). This is a counter-fraud exercise that uses computerised techniques to compare information about individuals held by different public bodies to identify circumstances that might suggest the existence of fraud or error (matches). Where matches are identified public bodies are expected to investigate these and if fraud and error has taken place, to stop payments and attempt to recover the amounts involved. The exercise also provides assurance on the effectiveness of arrangements and helps deter fraud.
37. Results were published by Audit Scotland in May 2012 in a report on the NFI. This highlighted that fraud, overpayments and recoveries totalling £19.8 million had been identified across Scotland in the most recent exercise and outcomes of £78 million had been achieved since NFI was first introduced. The report also contained a self-appraisal checklist that all participants are recommended to use prior to the start of the next exercise in October 2012.
38. The outcomes for the recent exercise will be reported through the audit of Glasgow City Council, but there are no matters that we wish to bring to the attention of the Joint Committee.

Standards of conduct and arrangements for the prevention/detection of bribery and corruption

39. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We consider whether bodies have adequate arrangements in place.
40. For the purpose of the appointment to audit the financial statements of the WOSEF Joint Committee, such arrangements have been considered in the audits of the host authorities.

Appendix A: audit reports

External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue
Annual Audit Plan	29 February 2012
Report on financial statements to those charged with governance	17 September 2012
Audit opinion on the 2011/12 financial statements	19 September 2012
Members Report	31 October 2012