

East of Scotland European Consortium

Annual report on the 2012/13 audit



Prepared for East of Scotland European Consortium and the Controller of Audit
October 2013

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Key Messages

2012/13

We have given an unqualified opinion that the financial statements of East of Scotland European Consortium for 2012/13 give a true and fair view of the state of the Consortium's affairs and of its net expenditure for the year.

Overall, East of Scotland European Consortium's arrangements for the prevention and detection of fraud were satisfactory during 2012/13. From our review of the key controls within the host authority's main financial systems, we concluded that the East of Scotland European Consortium systems of internal control are operating effectively.

Outlook

East of Scotland European Consortium is funded by members' subscriptions. Membership remained stable during 2012/13 but membership levels dropped in the previous year; the Consortium should be alert to any opportunities to expand membership. Member councils are facing particularly challenging financial decisions in the current economic climate and the Consortium should ensure that it can demonstrate value for money to its members.

Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of East of Scotland European Consortium (ESEC). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of East of Scotland European Consortium and no responsibility to any third party is accepted.
3. This report is also addressed to the Controller of Audit and will be published on our website after consideration by the East of Scotland European Consortium.

Financial statements

Conduct and scope of the audit

4. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in the Annual Audit Plan presented to the Treasurer in March 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
5. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

Audit opinion & accounting issues

6. We have given an unqualified opinion that the financial statements of the East of Scotland European Consortium for 2012/13 give a true and fair view of the state of the Consortium's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 27 September 2013.
7. We received the unaudited financial statements on 28 June 2013 in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team and we completed our on-site fieldwork on 13 September 2013. The Consortium is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Statutory objection

8. 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 ESEC 2012/13 financial statements.

Remuneration report

9. The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI no 1985/267) and require local authority bodies to prepare a remuneration report. As the senior management of ESEC are all employees or members of its constituent local authorities and have been considered in relation to disclosure in their councils' remuneration reports, we are satisfied that there is no requirement to include a remuneration report in ESEC's financial statements.

Significant findings (ISA260)

10. We have identified no significant issues regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

Financial position

2012/13 Outturn

11. The main financial objective for East of Scotland European Consortium is to ensure that the financial outturn for the year is within the budget allocated by the Consortium members.
12. The Consortium had a small overspend against budget for 2012/13 as detailed in Table 1 below.

Table 1: 2012/13 Outturn against Budget

	Final Budget (£)	Actual Outturn (£)	Under / (Over) spend
Expenditure	64,703	64,442	261
Income	64,703	64,103	(600)
Net	0	339	(339)

Source: Policy Board papers 26 October 2012 and 2012/13 financial statements

13. In 2012/13 ESEC generated a deficit on the provision of services of £339 compared to a surplus of £2,050 in 2011/12.
14. ESEC's balance sheet as at 31 March 2013 showed net assets of £79,529, a decrease of £339, reflecting the deficit on the provision of services for the year.

Financial planning

15. The Consortium's 2013/14 budgeted expenditure is £68,500 and budgeted income is £62,750; the Consortium anticipates using £5,750 of its reserves during 2013/14.
16. The Consortium's member councils face significant financial challenges in the current economic climate and have to make difficult decisions regarding their funding of services and external organisations. The Consortium should ensure it can demonstrate value for money to its members for their continuing subscriptions.

Corporate governance and systems of internal control

Accounting and internal control systems

17. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
18. ESEC's financial transactions are processed through Angus Council's financial systems. Our review of these systems was conducted as part of the council's external audit, supplemented by specific audit work on ESEC's financial statements.
19. 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.
20. No material weaknesses in the accounting and internal control systems were identified during the audit which could 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 financial statements.

Overall governance arrangements

21. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements.
22. Although it is not currently a legal requirement it is considered best practice to disclose an Annual Governance Statement within the financial statements. The Annual Governance Statement has wider coverage than the Statement on the System of Internal Financial Control. ESEC had agreed to introduce a process for annual review of governance arrangements, with the intention of preparing an Annual Governance Statement from 2012/13. However because of the additional work involved by Angus Council staff in taking over the financial arrangements for ESEC during 2012/13 it was not feasible to move to a full Annual Governance Statement for 2012/13. This will however be considered for 2013/14.

Prevention and detection of fraud and irregularity

23. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the Consortium's overall arrangements for the prevention of fraud are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

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

24. 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. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Acknowledgements

25. We would like to express our thanks to the staff of East of Scotland European Consortium and Angus Council for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.