

West of Scotland European Forum

Annual report on the 2013/14 audit



Prepared for Members of West of Scotland European Forum and the Controller of Audit
October 2014

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Key messages

2013/14

We have given an unqualified opinion that the financial statements of the West of Scotland European Forum (the Forum) for 2013/14 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The Forum's financial transactions are processed through Glasgow City Council's financial systems. Our review of these systems was conducted as part of the audit of the council, supplemented by specific audit work on the Forum's financial statements. No material weaknesses in the accounting and internal control systems were identified during the audit. In addition the arrangements for the prevention and detection of fraud were satisfactory during 2013/14.

Outlook

Budgetary projections for 2014/15 estimate expenditure to be approximately at similar levels to the previous year, with estimated Forum expenditure projected to be £59,000 in 2014/15. In 2013/14, the Forum agreed that there should be a "contributions holiday" for Forum affiliates. While the impact of this "contributions holiday" has reduced the level of reserves held at 31 March 2014 to £91,457 (£146,284 as at 31 March 2013), the Forum is still holding a reasonable level of reserves compared to typical levels of annual expenditure.

The Forum's Budgetary Projections and Work Plan for 2014/15 have proposed a 50% "contributions holiday" for the Local Authority Forum affiliates. This would produce income of approximately £26,000 in 2014/15. Going forward the Forum should continue to actively manage the accumulated reserves to ensure financial stability is maintained.

Introduction

1. This report is the summary of our findings arising from the 2013/14 audit of the West of Scotland European Forum (the Forum). 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 in May 2011. 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 the Forum 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 Audit Scotland's website after consideration by the members of the Forum.

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 issued on 28 February 2014.
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 2013/14 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 West of Scotland European Forum for 2013/14 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.
7. We received the unaudited financial statements on 18 June in accordance with the agreed timetable. The working papers were of a good standard and the staff were very supportive to the audit team. In preparing the financial statements the Forum is required to follow the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Significant findings (ISA260)

8. No issues require to be brought to your attention regarding the appropriateness of the Forum's accounting policies or accounting estimates and judgements, the timing of transactions, the existence of any material unusual transactions or the potential effect on the financial statements of any uncertainties.

Financial position

2013/14 Outturn

9. The 2013/14 budget was approved at a meeting of the Forum in March 2013. The total budgeted expenditure was £58,000 of which staff costs and subscriptions made up £43,000 or 74% of total costs. Due to the agreed "contributions holiday" for Forum affiliates in 2013/14, the only budgeted income in 2013/14 was a minimal amount of interest earned on the Forum's balances.
10. The Forum operated within the agreed net budget for 2013/14 and actual expenditure in the year was £55,353.

2013/14 Financial position

11. In 2013/14 the Forum returned a deficit of £54,827 on the provision of services, compared to a deficit of £1,650 in 2012/13. The increase in the deficit was as a result of the reduced level of contributions from participating local authorities. After financing this deficit balance, total reserves at 31 March 2014 were £91,457.

Financial planning

12. The committee agreed the Forum's budget for 2014/15 in April 2014. The budget includes total expenditure of £59,000 which is approximately in line with the previous year. It has been agreed that the Forum should aim to reduce its usable reserve balance over the coming years. The committee considered that another full "contributions holiday" would reduce the Forum's reserves balance below £50,000 and that this would fail to cover a full year's running costs. As such it was proposed that a 50% "contributions holiday" should apply in 2014/15.

Corporate governance and systems of internal control

Overall governance arrangements

13. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Forum had sound governance arrangements in place.

Accounting and internal control systems

14. In accordance with the minute of agreement, the Forum's financial transactions are processed through Glasgow City Council's financial systems. Our review of these systems was conducted as part of the audit of the council, supplemented by specific audit work on the Forum's financial statements. 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 data so as to result in a material misstatement in the financial statements.

Prevention and detection of fraud and irregularity

15. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. The arrangements established for the prevention of fraud and irregularities have been considered by the audit of Glasgow City Council as the host authority. There are no matters that we wish to bring to the attention of the Forum, 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

16. 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

17. We would like to express our thanks to officers 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.