



## **West of Scotland European Forum**

Annual Audit Report to members  
and the Controller of Audit

September 2015



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This report has been prepared for the use of the West of Scotland European Forum and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the West of Scotland European Forum. The information in this report may be used for the Accounts Commission’s annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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# Key Messages

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<b>Audit of financial statements</b>	<ul style="list-style-type: none"><li>• Unqualified independent auditor's report (audit certificate) on the 2014/15 financial statements.</li><li>• Working papers were of a good standard and officers provided good support which enabled the audit team to complete on-site fieldwork by the planned target date.</li><li>• All presentation and disclosure issues, identified in unaudited accounts, corrected by management in audited financial statements.</li></ul>
<b>Financial management and sustainability</b>	<ul style="list-style-type: none"><li>• The 2014/15 financial statements cover the period 1 April 2014 to 31 March 2015. Expenditure of £52,718 was incurred in 2014/15 and was part covered by a 50% contribution from each of the member authorities, amounting to £25,952. The remaining expenditure was covered by a planned drawdown of reserves.</li></ul>
<b>Governance and transparency</b>	<ul style="list-style-type: none"><li>• The Forum had sound governance arrangements in place during 2014/15.</li></ul>
<b>Outlook</b>	<ul style="list-style-type: none"><li>• The Forum met in May 2015 and agreed its financial plan for 2015/16. Due to a reduced level of planned expenditure compared to 2014/15, the Forum are planning to reduce the contributions from members by 15% of their original levels (as charged in 2012/13). This should bring the level of reserves down to the equivalent of one year's running costs.</li></ul>

# Introduction

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1. This is a report of our findings from the 2014/15 audit of the West of Scotland European Forum (the Forum).
2. The management of the Forum is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of the Forum, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of 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; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures. Consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
6. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2014/15 financial statements

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## Audit opinions

### Audit opinion

- We have completed our audit and issued an unqualified independent auditor's report.

### Going concern

- The financial statements have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the Forum's ability to continue as a going concern.

### Other information

- We review and report on other information published with the financial statements, including the management commentary and annual governance statement. We have nothing to report in respect of these statements.

## Submission of financial statements for audit

7. We received the unaudited financial statements in accordance with the agreed timetable. The working papers were of a good standard, the staff provided good support to the audit team which assisted the delivery of the audit to deadline.

## Overview of the scope of the audit of the financial statements

8. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan, dated February 2015.
9. The agreed audit fee for the work undertaken as part of this year's audit was £1,910. This covered the costs of planning, delivering and reporting the Forum's annual audit.
10. 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.
11. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.

12. Appendix 1 sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
13. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

14. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. In addition, a misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example the failure to achieve a statutory requirement, or an item contrary to law).
15. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
16. We summarised our approach to materiality in our plan, setting it at 1% of gross expenditure. Upon receiving the unaudited accounts for 2014/15 we revised materiality to £527. We report

## Audit of the 2014/15 financial statements

all misstatements greater than £100. Performance materiality was calculated at £474, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality.

### Evaluation of misstatements

17. No misstatements were identified during the audit.

### Significant findings from the audit

18. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit:

- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
- Significant difficulties encountered during the audit.
- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

19. A number of minor presentational and disclosure issues were identified during the course of the audit. These were discussed with management and amended as appropriate.

20. During the course of the audit we identified the following significant issues that, in our view, requires to be communicated to you.

## Significant findings from the audit

Issue	Resolution
<b>The Local Authority Accounts (Scotland) Regulations 2014</b> <ul style="list-style-type: none"><li>Due to the timing of their meetings, the Forum was unable to meet to consider the unaudited accounts by 31 August 2015.</li></ul>	<ul style="list-style-type: none"><li>For 2015/16, other options are being explored in order that the Forum consider the unaudited accounts by 31 August 2016.</li></ul>

## Future accounting and auditing developments

### *Revisions to the Code of Practice*

The financial statements of the Forum are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS) to the local authority context. There are no significant changes to accounting requirements introduced by the 2015/16 Code which are likely to impact on the financial statements of the Forum.



# Financial management and sustainability

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## 2014/15 financial position

21. The 2014/15 financial statements for the Forum state an expenditure of £52,718. This was in part covered by Local Authority subscriptions to the Forum, totalling £25,952, which were set at 50% of usual amounts for 2014/15. The remaining expenditure was covered as part the Forum's planned drawdown of reserves, which amounted to £65,046 as of 31 March 2015.

## Financial management

22. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the officer responsible for finance has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the body
- reports monitoring performance against budgets are accurate and provided regularly to budget holders

- monitoring reports do not just contain financial data but are linked to information about performance
- members provide a good level of challenge and question budget holders on significant variances.

23. The main financial management arrangements for the Forum have been set down in the minute of agreement and based on our accumulated knowledge and our review of relevant papers we conclude that the Forum has made appropriate financial management arrangements.

## 2015/16 and beyond

24. The 2015/16 budget was approved in the May 2015 meeting of the Forum. It was agreed that due to a reduced level in planned expenditure in 2015/16 compared to 2014/15, contributing member's subscriptions could be reduced to 85% of their original levels as charged in 2012/13. This would reduce the overall level of reserves to the equivalent of one year's running costs.

# Governance and transparency

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## Corporate governance

25. Members and management of the Forum is responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

## Accounting and Internal control systems

26. 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.
27. 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 Glasgow City 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.

## Arrangements for the prevention and detection of fraud

28. 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 as part of 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.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

29. 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

## Governance and transparency

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

## Acknowledgements

30. 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.

## Appendix 1 – Audit risks

The table below sets out the audit risks identified in our 2014/15 Annual Audit Plan, how we addressed each risk and our judgement in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusion
<p><b>Requirements of the new accounting regulations:</b>                      The Local Authority Accounts (Scotland) Regulations 2014 have introduced a number of changes to the contents of the financial statements, including the inclusion for the first time in the annual accounts of a more detailed management commentary.                      The new regulations also require the Forum to meet by 30 September to approve the audited annual accounts for signature. There is a risk that the Forum's accounts do not fully comply with the requirements of the new accounting regulations.</p>	<ul style="list-style-type: none"> <li>• We liaised with finance officers during the preparation of the financial statements to ensure compliance with the requirements of the 2014 Regulations.</li> <li>• We have carried out an audit of the 2014/5 financial statements and assessed compliance against the requirements of the 2014 Regulations.</li> </ul>	<p>We have raised an issue concerning compliance with the Local Authority Accounts (Scotland) Regulations 2014</p> <p>Refer paragraph 20</p>

## Appendix 1 – Audit risks

Audit Risk	Assurance procedure	Results and conclusion
<p><b>Management override of controls:</b></p> <p>As is the case in all entities, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>There is a risk of misstated accounting records.</p>	<ul style="list-style-type: none"><li>• We conducted substantive audit work.</li><li>• We ensured we 'understood the business' to consider the nature of accounting transactions.</li></ul>	<p>We did not identify any instances of management manipulating accounting records or overriding controls.</p>

## Appendix 2 – Summary of local audit reports 2014/15

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