West of Scotland European Forum

2017/18 Annual Audit Report



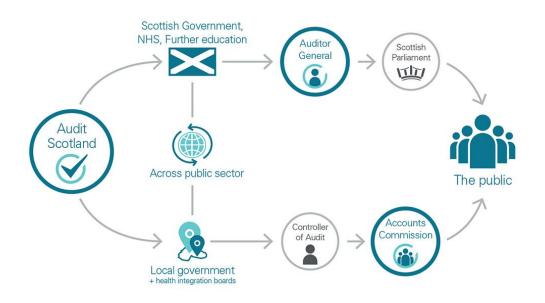


Prepared for the West of Scotland European Forum and the Controller of Audit 18 September 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2017/18 annual report and accounts

- 1 In our opinion the West of Scotland European Forum's (WoSEF's) financial statements give a true and fair view and were properly prepared.
- 2 The management commentary is consistent with the financial statements.

Financial sustainability and governance statement

- **3** We concluded that WoSEF has established budget setting arrangements in place and has an adequate level of reserves.
- 4 We concluded that the information in the annual governance statement is consistent with the financial statements and complies with the relevant guidance.

Introduction

1. This report summarises the findings from our 2017/18 audit of West of Scotland European Forum (WoSEF).

2. The scope of our audit was set out in our Annual Audit Plan presented to the 13 March 2018 meeting of the Committee. This report comprises the findings from:

- an audit of the West of Scotland European Forum annual report and annual accounts
- consideration of the financial sustainability and appropriateness of annual governance statement

3. Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are:

- financial sustainability,
- financial management,
- governance and transparency, and
- value for money.

4. The <u>Code of Audit Practice 2016</u> (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services.

5. As highlighted in our 2017/18 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2017/18 audit of WoSEF.

6. WoSEF has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with the Local Authority Accounts (Scotland) Regulations 2014. WoSEF is also responsible for establishing effective governance arrangements and ensuring that financial management is effective.

7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the <u>Code of Audit Practice</u> <u>2016</u>), and guided by the auditing profession's ethical guidance.

8. As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the governance statement disclosures. In doing this, we aim to support improvement and accountability.

9. The weaknesses or risks identified are only those which have come to their attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £1,920 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

11. Our aim is to add value to WoSEF by providing insight and foresight on financial sustainability and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the West of Scotland European Forum promote improved standards of financial planning, better management and decision making.

12. <u>Appendix 3</u> shows a summary of our 2017/18 national performance reports. These reports include findings and good practice across a range of areas, some of which may be relevant to the service.

13. This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website <u>www.audit-scotland.gov.uk</u> in due course.

14. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1 Audit of 2017/18 annual report and accounts



Main judgements

In our opinion WoSEF's financial statements give a true and fair view and were properly prepared; expenditure and income was in accordance with applicable law and guidance.

Audit opinions on the annual report and accounts

15. The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Committee on 18 September 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with proper accounting practices
- we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of annual report and accounts for audit

16. We received the unaudited annual report and accounts on 18 June 2018 in line with our agreed audit timetable.

17. The unaudited annual report and accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

18. <u>Appendix 1</u> provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

20. We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual report and accounts we reviewed our planning materiality calculations and concluded that they remained appropriate and these are summarised in Exhibit 1.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£550
Performance materiality	£450
Reporting threshold	£100
Source: Annual Audit Plan 2017/18	

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit (ISA 260)

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. This includes our views about significant qualitative aspects of the board's accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the annual report and accounts, accounting estimates and judgements and the effect of any unusual transactions on the financial statements. There are no significant findings to report.

Part 2 Financial sustainability and governance statement



Main judgements

We concluded that WoSEF has established budget setting arrangements in place and an adequate level of reserves, in line with the Forum's strategy.

We concluded that the information in the annual governance statement is consistent with the financial statements and complies with relevant guidance.

Financial performance in 2017/18

23. The main financial objective for WoSEF is to ensure that the financial outturn for the year is within the agreed budget. WoSEF had an underspend of \pounds 4,867 on a budget of \pounds 54,000 in 2017/18.

Short term financial planning

- 24. WoSEF is funded by contributions received from the local authorities and other organisations who are members of the Forum. The Forum's total gross budget for 2017/18 was £54,000. Actual expenditure for the year was £48,498, representing a saving of £5,502.
- 25. Gross income for the year was £42,198 resulting in a net cost of services of £6,300. Once interest income of £187 is included, WoSEF ended the year with a small deficit of £6,113 as compared to a projected deficit of £11,000. The deficit of £6,113 was funded from the Forum's usable reserves.
- **26.** Reserves held by the Forum reduced from £48,933 in 2016/17 to £42,820 in 2017/18 as a result of the deficit.
- **27.** The Forum meets twice a year, with the annual budget approved by members during the first meeting for the year ahead. The Forum does not receive regular budget monitoring reports and given the size of the Forum, this is considered reasonable.
- **28.** We are satisfied with WoSEF's arrangements for budgetary monitoring and control.

Medium to long term financial planning

- **29.** 2017/18 is the final year of the Forum's current long term budget strategy. The Forum has been successful in achieving its aim of reducing the reserves balance to approximately one years running costs. As at 31 March 2018, the Forum's reserve balance was £42,820 compared to the balance of £148,000 held in 2011/12. Going forward, the Forum will look to prepare annual balanced budgets, with contributions matching planned expenditure.
- **30.** We are satisfied that WoSEF has appropriate arrangements for budgetary monitoring and control.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Annual Governance Statement

31. Our review of the annual governance statement assessed the assurances which are provided to the Executive Director of Finance, as Accountable Officer, regarding the adequacy and effectiveness of the system of internal control which operated in the financial year.

32. We concluded that the information in the governance statement is consistent with the financial statements and complies with proper accounting practices.

Appendix 1 Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the <u>Code of Audit Practice 2016</u>.

Audit risk

Assurance procedure Results and conclusions

Risks of material misstatement in the financial statements

1	Risk of Management override of controls	Detailed testing of journal entries.	Journal entries were reviewed as part of the substantive testing of the financial statements. No evidence to suggest management was overriding controls was
	ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Review of accounting estimates.	
		Focused testing of accruals	identified.
		and prepayments. Evaluation of significant transactions that are outside the normal course of business.	No accounting estimates were made in preparing the financial statements.
			A sample of accruals was tested. No issues were identified.
			No significant transactions that were outside the normal course of business were identified during audit testing.

No fraud concerns were identified in respect of management override of controls.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

2 Future Direction of WoSEF

Uncertainty exists around the future direction of the Forum following the triggering of 'Article 50' procedure by the UK government in March 2017.

The changing environment has made the formation of a forward looking work plan difficult. The Forum faces challenges in respect to its future remit and direction.

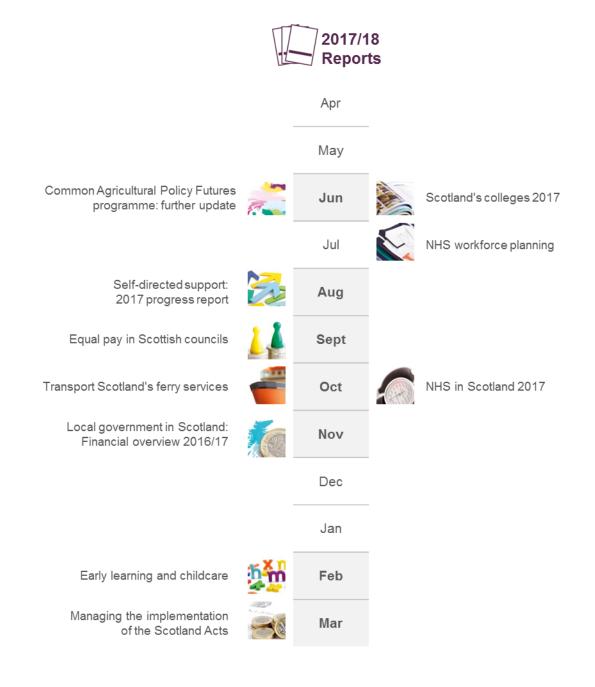
There is a risk that the Forum may not have any clear strategic plans in place for future years Discussion with officers.

Review of committee papers.

There remains ongoing uncertainty around the UK's future relationship with the EU. However, EU funded projects approved prior to the date of 'Brexit' will be unaffected by the UK's withdrawal from the Union for their agreed lifetime.

WoSEF will continue with 'business as usual' for the foreseeable future.

Appendix 2 Summary of national performance reports 2017/18



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