

West of Scotland European Forum

2016/17 Annual
Audit Report



 AUDIT SCOTLAND

To members of West of Scotland European Forum and the Controller of Audit

20 September 2017

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.

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2016/17 annual accounts	7
Part 2 Financial management	9
Part 3 Financial sustainability	11
Part 4 Governance and transparency	12
Appendix 1 Significant audit risks identified during planning	14
Appendix 2 Summary of national performance reports 2016/17	15

Key messages

Audit of the 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary and the annual governance statement.

Financial management

- 2 WoSEF has established budget setting arrangements in place which are appropriate to the nature of the organisation.

Financial sustainability

- 3 The Forum ended the year with an adequate level of reserves which equates to almost one year's operating costs.

Governance and transparency

- 4 WoSEF has appropriate governance arrangements in place that support the scrutiny of decisions made.
- 5 The Forum is open and transparent in the way that it conducts its business, with the public able to attend meetings. Minutes of committee meetings and agenda papers are available via the Glasgow City Council website for public inspection.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of the West of Scotland European Forum (WoSEF).

2. The scope of the audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Joint Committee. This report comprises:

- an audit of the annual report and accounts
- consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in Exhibit 1.

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The Code of Audit Practice recognises that for some smaller audited bodies, it may not be appropriate or proportionate to apply the full wider scope audit. As noted in our 2016/17 Annual Audit Plan, we do not intend to apply the Value for Money dimension to the audit of WoSEF.

4. The main elements of our audit work in 2016/17 have been:

- an interim audit of the WoSEF governance arrangements
- an audit of the WoSEF 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions.

5. WoSEF is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland)

Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

- 6.** Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the Code of Audit Practice 2016 guided by the auditing profession's ethical guidance.
- 7.** As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within WoSEF to manage its performance and use of resources such as money, staff and assets.
- 8.** Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.
- 9.** This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both the Joint Committee and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 12.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, management commentary and annual governance statement.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Joint Committee on 20 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary and annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of the WoSEF annual accounts for audit

15. We received the unaudited annual accounts on 28 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan.

16. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

Risk of material misstatement

17. [Appendix 1](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also included within the appendix are wider dimension risks, how we addressed these, and conclusions.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically

WoSEF's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the financial statements and following completion of audit testing we reviewed our original materiality calculations and concluded that our original calculations remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£1,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 90% of overall materiality.	£900
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£100

Evaluation of misstatements

21. There were no misstatements which had an impact on the unaudited financial statements.

Significant findings

22. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA260.

Going concern

23. The financial statements of WoSEF have been prepared on a going concern basis.

Other findings

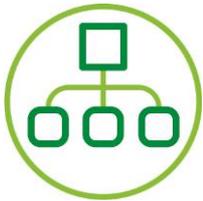
24. Our audit identified a small number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Pre audit inspection and objections to the accounts

25. The Local Authority Accounts (Scotland) Regulations 2014 require bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. WoSEF complied with the regulations and the notice was published on the Glasgow City Council website. No objections were received to the WoSEF accounts.

Part 2

Financial management



Main judgements

WoSEF has established budget setting arrangements in place which are appropriate to the nature of the organisation.

Financial performance in 2016/17

26. WoSEF is funded by contributions received from the local authorities and other organisations who are members of the Forum. The WoSEF total gross budget for 2016/17 was £55,000. Actual expenditure in the year was £51,590. This represents a saving of £3,410 against budget.

27. Gross income for the year was £42,198, resulting in a net cost of service of £9,392. Once interest and investment income of £609 is included, the final deficit for the year is £9,157.

28. Reserves held by the Forum reduced from £58,090 to £48,933 as a result of the above deficit.

Budgetary monitoring and control

29. The Joint Committee meets twice a year. At the first meeting the annual budget is approved by members for the year ahead. Any revisions to the budget are approved at the second meeting of the Joint Committee.

30. The committee does not receive regular budget monitoring reports during the year. However, given the size of WoSEF, this is not considered unreasonable.

Internal controls

31. As part of our audit we assess the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that WoSEF has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

32. WoSEF uses the financial systems of Glasgow City Council to prepare its annual accounts. As part of our audit of Glasgow City Council we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements, including payroll, accounts receivable and accounts payable. Our objective was to obtain evidence to support our opinion on the WoSEF financial statements.

33. In our internal report to the Council, which was issued in July 2017, we concluded that the key controls were operating effectively. No significant control weaknesses were identified which could affect WoSEF's ability to record, process,

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

34. As part of their annual report for 2016/17, internal audit also concluded that reasonable assurance could be provided on the governance and internal control environment operating during the financial year.

Prevention and detection of fraud

35. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. As lead authority, Glasgow City Council's fraud prevention procedures apply to WoSEF. We reviewed the fraud arrangements at Glasgow City Council and concluded that these were adequate.

36. We are satisfied that WoSEF has adequate arrangements in place for the prevention and detection of fraud, although it is acknowledged that no system can eliminate the risk of fraud entirely.

Part 3

Financial sustainability



Main judgements

WOSEF ended the year with an adequate level of reserves which equates to almost one year's operating costs.

Financial planning and funding position

37. WoSEF is funded by subscriptions from the local authorities and other organisations who are members of the Forum. In 2016/17 the total level of subscription income was £42,198. This remained at the same level as the prior year.

38. WoSEF has been managing its reserves as part of a plan to reduce the reserves balance. The Forum ended the year with a reserve balance of £48,993. We consider the current reserve balance to be adequate given the size of the organisation as it equates to almost one year's operating costs.

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.

Part 4

Governance and transparency



Main judgements

WoSEF has appropriate arrangements in place that support scrutiny of activities undertaken and approval of annual budgets.

The Forum is open and transparent in the way that it conducts its business, with the public able to attend meetings. Minutes of committee meetings and agenda papers are available via the Glasgow City Council website for public inspection.

Governance arrangements

39. Members and management of WoSEF are 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.

40. The Forum comprises members from each of the 12 subscribing local authorities. As lead authority, Glasgow City Council's local Code of Corporate Governance has been adopted by the Forum.

41. From the work we have undertaken as part of our audit we conclude that the Forum has adequate systems of governance and internal control.

Management commentary and annual governance statement

42. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires WoSEF to prepare and publish, along with their financial statements, an annual governance statement and management commentary that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

43. Based on our knowledge of WoSEF and work undertaken as part of the audit, we concluded that the management commentary and annual governance statement are consistent with the financial statements.

Internal audit

44. Internal audit provides senior management and elected members with independent assurance on the WoSEF's overall risk management, internal control and corporate governance processes.

45. The internal audit function is carried out by the internal audit section of Glasgow City Council. We carried out a review of the adequacy of the internal audit function as part of our work on the Glasgow City Council audit. We concluded that

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

46. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we relied on aspects of internal audit's work on accounts payable and system access.

47. As part of our wider dimension work for the audit of Glasgow City Council, we considered internal audit reports on risk management, financial transactions and financial monitoring. There were no issues identified by internal audit that would have an impact on our audit work.

Transparency

48. Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Joint Committee is taking decisions and how it is using resources such as money, people and assets.

49. There is evidence from a number of sources which demonstrate the Joint Committee's commitment to transparency. Members of the public can attend meetings of the Joint Committee and minutes of these committee meetings and supporting papers are readily available on the Glasgow City Council website.

50. The registers of interests for each of the committee members are publicly available on the website of the respective member's local authority.

51. WoSEF makes its annual accounts available on the Glasgow City Council website. These include a management commentary which provides details of performance against budget and risks and uncertainties facing the Forum.

52. Overall, we concluded that WoSEF conducts its business in an open and transparent manner.

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 opinion on the financial statements.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>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.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Journal entries were reviewed as part of the substantive testing of the financial statements. No evidence was identified to suggest management was overriding controls.</p> <p>No accounting estimates were made in preparing the financial statements.</p> <p>A sample of accruals was tested. No issues were identified.</p> <p>No significant transactions that were outside the normal course of business were identified during audit testing.</p> <p>No fraud concerns were identified in respect of management override of controls.</p>
Wider Dimension Risks		
<p>2 Local government elections</p> <p>The Local Authority Accounts (Scotland) Regulations 2014 require committees to consider the unaudited accounts by 31 August. In prior years this has been achieved through consideration of accounts by the Chair and Vice-Chair. The 2017 local government elections will result in changes in elected members. There is a risk that the new membership of the Joint Committee will not be in place in time to consider the unaudited accounts in compliance with the regulations.</p>	<p>The Council will endeavour to ensure that appropriate arrangements are put in place to meet the requirements of the regulations.</p>	<p>A committee was appointed and held its first meeting in June 2017 which approved the unaudited accounts.</p>

Appendix 2

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

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