

West of Scotland European Forum

2019/20 Annual Audit Report



 AUDIT SCOTLAND

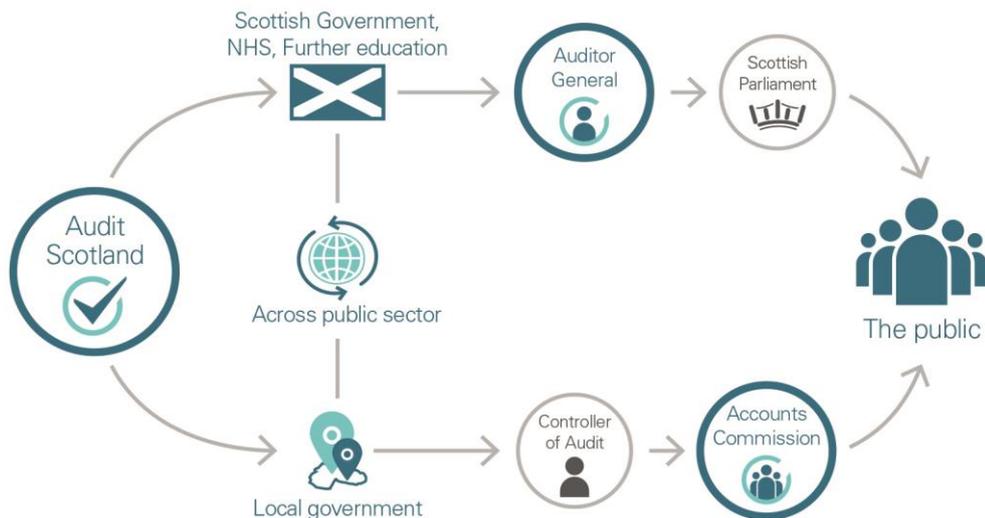
Prepared for the West of Scotland European Forum and the Controller of Audit

November 2020

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 2019/20 Annual Accounts	7
Part 2 Financial sustainability	9
Appendix 1 Significant audit risks identified during planning	10
Appendix 2 Summary of national performance reports 2019/20	11

Key messages

2019/20 annual report and accounts

- 1** West of Scotland European Forum's (WoSEF's) financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** The management commentary is consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- 3** COVID-19 impacted on the accounting and auditing timetable for the 2019/20 financial statements. The accounts were submitted for audit on 19 August and signed off at the end of November 2020.

Financial sustainability

- 4** WoSEF has appropriate arrangements in place for budget monitoring and financial planning.

Introduction

1. This report summarises the findings from our 2019/20 audit of West of Scotland European Forum (WoSEF).

2. The scope of our audit was set out in our Annual Audit Plan circulated to Forum members on 18 March 2020. This report comprises the findings from:

- an audit of WoSEF's annual accounts
- our consideration of financial sustainability and appropriateness of the annual governance statement of WoSEF.

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, WoSEF has had to respond to the COVID-19 pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements.

Adding value through the audit

4. We add value to WoSEF through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 2](#)) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help WoSEF promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. WoSEF has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. WoSEF is also responsible for compliance with legislation, putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice (2016) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our consideration of WoSEF's Best Value arrangements is focussed on the bodies use of resources to secure financial sustainability.

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

and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

9. The Code of Audit Practice 2016 (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. As highlighted in our 2019/20 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 2019/20 audit.

10. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our 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.

Auditor Independence

11. 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 2019/20 audit fee of £2,020 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both WoSEF and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 Annual Accounts



Main judgements

WoSEF's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The management commentary is consistent with the financial statements and properly prepared in accordance with the applicable requirements.

COVID-19 impacted on the accounting and auditing timetable for the 2019/20 financial statements. The accounts were submitted for audit on 19 August and signed off at the end of November 2020.

Our audit opinions on the annual accounts is unmodified

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

15. The annual accounts for the year ended 31 March 2020 were approved by the board on 25 November 2020. We reported, within the independent auditor's report, that:

- the financial statements give a true and fair view and were properly prepared in accordance with the accounting framework
- the management commentary and the annual governance statement are consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The annual accounts were signed off in line with the timescales permitted to reflect COVID-19

16. Schedule 6 of the Coronavirus Act (Scotland) 2020 allows each local government body to determine its own revised timetable for annual accounts. Officers supporting WoSEF were unable to deliver unaudited financial statements in accordance with the planned timetable, due to physical limitation on access to records and systems, as well as other priorities. Unaudited accounts were received for audit on 19 August 2020.

17. Our original final accounts timetable included delivery of proposed audit opinions to a September meeting of WoSEF. However, as a result of COVID-19 we had to review our resource plans across all audits and reschedule our planned audit input to deliver our proposed audit opinion for the November WoSEF meeting.

18. The unaudited annual 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.

19. Statutory guidance issued in response to COVID-19 permits, but does not require, local government bodies to disapply a number of content requirements for the management commentary. WoSEF has chosen not to make use of this option.

Overall materiality is £800

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

21. On receipt of the unaudited annual report and accounts we reviewed our materiality calculations and concluded that no changes were required to our planned levels.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£800
Performance materiality	£600
Reporting threshold	£40

Source: Annual Audit Plan 2019/20

Risks of material misstatement and our audit work to address these

22. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual report and accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

23. We have no issues to report from our work on the risks of material misstatement.

Significant findings from the audit in accordance with ISA260

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report around the qualitative aspects.

Identified misstatements were adjusted in the accounts, these totalled less than our performance materiality and we did not need to revise our audit approach

25. Misstatements totalling £264 were identified during the audit and necessary amendments have been reflected in the audited financial statements. These related to travel expenses that were incorrectly accounted for in 2020/21. The net impact of correcting these errors was to increase expenditure by £73, resulting in a revised deficit of £1,084. This also resulted in a corresponding decrease in general reserves to £41,435.

Part 2

Financial sustainability



Main judgements

WOSEF has appropriate arrangements in place for budget monitoring and financial planning.

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.

Financial performance in 2019/20 and financial planning

26. WoSEF is funded by contributions received from the local authorities and other organisations which are members of the Forum. The main financial objective of WoSEF is to ensure that the financial outturn for the year is within the agreed budget. Gross expenditure in the year was £43,122, resulting in an underspend of £878 against budgeted expenditure.

27. Gross income for the year was £41,798, resulting in a net cost of services of £1,324. Once interest income is accounted for, WoSEF incurred a deficit of £1,084, which was funded from the Forum's useable reserves. The remaining balance of useable reserves at 31 March 2020 was £41,435 and equates to approximately one year's budgeted expenditure.

28. We are satisfied that WoSEF has appropriate arrangements in place for budget monitoring and financial planning.

EU withdrawal

29. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU), and the implications this may have for the future role of WoSEF. Following the formal departure of the UK from the EU in January 2020, the transition phase to December 2020 has provided some continuity in arrangements for delivering existing EU funding programmes. However, there has been limited progress by the UK government in setting out arrangements for the UK Shared Prosperity Fund, which limits the Forum's ability to work with other agencies on supporting the development of relevant policies.

30. We are satisfied that the Forum is aware of the potential risks associated with Brexit and is planning as well as possible, given the uncertainty at this time. We will continue to monitor the Forum's response to the negotiated relationship with the EU as the position is clarified at a national level over the coming period.

National performance audit reports

31. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Appendix 2 highlights a number of the reports published in 2019/20.

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.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>ISA 240 requires that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Assessment of the estimation methodology applied by WoSEF and the reasonableness of estimates contained in the financial statements.</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. We did not identify any inappropriate journals.</p> <p>No accounting estimates were made in preparing the financial statements.</p> <p>Focused testing of accruals did not identify and issues.</p> <p>No significant transactions that are outside the normal course of business were identified during audit testing.</p> <p>Conclusion: No fraud concerns were identified in respect of management override of controls.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>2 Review of Internal Audit's annual report</p> <p>The Joint Committee does not consider Internal Audit's annual report as part of its committee business.</p> <p>There is a risk that members have insufficient information to allow them to effectively fulfil their governance role</p>	<p>Review minutes and consider reports submitted to Joint Committee</p>	<p>The Internal Audit annual report was considered at the November 2020 meeting of the Forum, prior to consideration of the annual accounts</p> <p>Conclusion: The committee received sufficient information to allow them to fulfil their governance role.</p>
<p>3 Future direction of WoSEF</p> <p>Uncertainty continues to exist around the future direction of WoSEF now that the UK has left the EU.</p> <p>The formation of a meaningful forward-looking work plan remains challenging. There is a risk that WoSEF does not have a clear strategic plan in place for future years.</p>	<p>Continue to monitor the Forum's preparations for EU withdrawal as governmental decisions and agreements are made</p>	<p>UK government progress in reaching a deal with the EU has been slow and impacts on the Forum's ability to define its future role and workplan. Development of a strategic plan will be deferred until there is sufficient clarity around future arrangements with the EU.</p> <p>Conclusion: Officers are aware of the potential risks and are planning accordingly given the uncertainty. We will consider ongoing action taken by the Forum as part of our 2020/21 audit.</p>

Appendix 2

Summary of national performance reports 2019/20



		2019/20 Reports	
		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	Early learning and childcare: follow-up

West of Scotland European Forum

2019/20 Annual Audit Report

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk