

# Authorities Buying Consortium

Report to Members and the Controller of Audit  
on the 2007/08 Audit



November 2008



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# Key Messages

In 2007/08, we audited the financial statements and looked at aspects of governance within Authorities Buying Consortium. This report sets out our main findings.

Overall, we found the financial stewardship of Authorities Buying Consortium (ABC) during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- An unqualified opinion has been issued on the financial statements for 2007/08.
- The Statement on the System of Internal financial Control included in the accounts complies with accounting requirements and is not insistent with audit findings.
- Final accounts preparation procedures and working papers were good and this enabled the audit to progress smoothly.
- Many aspects of a sound corporate governance framework were in place over 2007/08. ABC is being superseded by Scotland Excel wef 1 April 2008 and work is ongoing to refine existing governance arrangements for this new successor organisation.

Renfrewshire Council provide internal audit services to ABC. The Statement on the System of Internal Financial Control for the year 2007/08, signed by the Treasurer and Director of ABC, concluded that ABC had in place a sound system of internal financial control with no identified material weaknesses. Our audit work resulted in findings consistent with that opinion.

Appropriate arrangements are in place for unspent balances to be retained for up to 2 years after the 31 March dissolution of ABC after which residual assets and liabilities will be repaid to member councils in line with their contribution percentage.



**November 2008**



# Introduction

1. The members and officers of ABC are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
  - the financial statements have been prepared in accordance with statutory requirements and that proper accounting practices have been observed
  - ABC's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests
  - ABC has adequate corporate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability
  - the systems of internal control provide an appropriate means of preventing or detecting material mis-statement, error, fraud or corruption
  - ABC has proper arrangements for securing best value in its use of resources.
  
2. This report summarises the most significant issues arising from our work during 2007/08.



# Financial statements

3. In this section we summarise key outcomes from our audit of ABC's financial statements for 2007/08.

## Auditor's report

4. We have given an unqualified opinion on the financial statements of the Authorities Buying Consortium for 2007/08, concluding that the financial statements:
  - present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of the Joint Board as at 31 March 2008 and its income and expenditure for the year then ended
  - have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

## Financial position

5. ABC's balance sheet has an excess of assets over liabilities of £0.425 million due to reported excess of pension assets as at that date. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on financial statements. Following the dissolution of ABC on 31 March 2008, existing staff became part of Scotland Excel, the joint committee which is taking over the functions of ABC. Sums have been approved to fund Scotland Excel and there is a projected balance of £0.099 million due to member councils. As such, we are content that an appropriate basis of valuation has been used for the presentation of the accounts.
6. In its last year of operation ABC incurred a deficit of £0.708 million compared to a budgeted deficit of £0.726 million. This deficit was funded from existing reserves totalling £0.807million. Major items of expenditure during the year were £0.208 million relating to dilapidations costs associated with a termination of a lease and £0.106 million for one – off pension costs to former members of ABC's directorate. Income levels were less than originally anticipated and required a £0.202 million downward revision of the budget during the year.

## Account preparation and submission

7. The Board's financial statements were submitted to the Controller of Audit by the deadline of 30 June 2008. Final accounts preparation procedures and working papers were good and this enabled the audit to progress smoothly. Local authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice (the



'SORP'). The financial statements of ABC comply with the provisions of the SORP as it applies to the nature of ABC's activities.

8. Audited accounts were finalised prior to the target date of 31 August 2008 and are now available for presentation to the Joint Committee and for publication. The financial statements are an essential means by which the Joint Committee's accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.

## **Legality**

9. Each year we request written confirmation from the Treasurer that ABC's financial transactions accord with relevant legislation and regulations. Significant legal requirements are also included in audit programmes and checklists. The Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of members and officials of ABC, the financial transactions of the Joint Committee were in accordance with the relevant legislation and regulations governing its activities.
10. During the audit, the employment status of ABC staff was examined in relation to the appropriateness of retaining a pension reserve in the accounts of the Joint Committee. While staff contracts are in the name of the host local authority, Renfrewshire Council, the underlying substance of the employment is as reflected in the financial statements and has been accepted. There are no additional legality issues arising from our audit which require to be brought to members' attention.



# Corporate governance

11. In this section we comment on key aspects of the Joint Committee's governance arrangements during 2007/08.

## Overview of arrangements in 2007/08

12. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours at the upper levels of the organisation. In previous years we have concluded that the Board has many aspects of a sound corporate governance framework in place and have reached the same conclusion this year.

## Systems of internal control

13. Internal audit plays a key role in ABC's governance arrangements, providing an independent appraisal service to management by reviewing and evaluating the effectiveness of the internal control system. Three audit reviews were undertaken during the year by internal audit with generally satisfactory results.
14. ABC utilised Renfrewshire Council's main financial systems for its operations. These systems have been reviewed as part of our audit of Renfrewshire Council and have been found to have no material weaknesses.

## Prevention and detection of fraud and irregularities

15. ABC had appropriate arrangements for the prevention and detection of fraud and corruption. These arrangements include a strategy for the prevention and detection of fraud including clear lines of responsibility for investigation.