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

2018/19 annual accounts

1 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 and properly prepared in accordance with the applicable requirements.

Financial sustainability and the annual 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 annual governance statement is consistent with the financial statements and complies with the applicable requirements.
Introduction

1. This report summarises the findings from our 2018/19 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 21 March 2019 meeting of the Forum. This report comprises the findings from:
   - an audit of WoSEF’s annual accounts
   - our consideration of the financial sustainability and appropriateness of the annual governance statement of WoSEF.

Adding value through the audit

3. We add value to WoSEF through the audit by:
   - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
   - reporting our findings and conclusions in public
   - 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.

4. 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

5. 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.

6. 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.

7. As public sector auditors we give independent opinions on the annual report and 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.

8. 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 annual governance statement and the financial sustainability of the body and its services. As highlighted in our 2018/19 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 2018/19 audit.

9. 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.

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 2018/19 audit fee of £1,970, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

12. We would like to thank the management and staff for their cooperation and assistance during the audit.
Part 1 Audit of 2018/19 annual accounts

Main judgements

West of Scotland European Forum’s (WoSEF’s) financial statements give a true and fair view and were properly prepared.

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

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

Audit opinions on the annual accounts

13. The annual accounts for the year ended 31 March 2019 were approved by the Joint Committee on 23 September 2019. We reported, within the independent auditor’s report, that:

- the financial statements give a true and fair view and were properly prepared
- the management commentary and annual governance statement are consistent with the financial statements and have been properly prepared in accordance with the applicable requirements
- we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual accounts for audit

14. We received the unaudited accounts on 14 June 2019 in line with our agreed audit timetable.

15. 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.

Risks of material misstatement

16. Appendix 1 provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

17. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.
Materiality

18. 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.

19. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in Exhibit 1. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

20. On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 1
Materiality values

<table>
<thead>
<tr>
<th>Materiality level</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall materiality</td>
<td>£1,000</td>
</tr>
<tr>
<td>Performance materiality</td>
<td>£750</td>
</tr>
<tr>
<td>Reporting threshold</td>
<td>£50</td>
</tr>
</tbody>
</table>

Source: Annual Audit Plan 2018/19

Significant findings from the audit (ISA 260)

21. 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.

22. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

Evaluation of misstatements

23. There were no material adjustments to the unaudited annual accounts arising from our audit.

Objections

24. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority 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. There were no objections to the accounts.
Part 2
Financial sustainability and the annual governance statement

Main judgements

We concluded that WoSEF has established budget setting arrangements in place and has an adequate level of reserves.

We concluded that the annual governance statement is consistent with the financial statements and complies with the applicable requirements.

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 2018/19

25. 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 £42,801, resulting in an underspend of £1,199 against budgeted expenditure of £44,000.

26. Gross income for the year was £42,198, resulting in a net cost of services of £603. Once interest income of £302 is included, WoSEF ended the year with a small deficit of £301. This was funded from the Forum’s usable reserves.

Short term financial planning

27. WoSEF is funded by contributions received from the local authorities and other organisations which are members of the Forum.

28. Reserves held by the Forum reduced from £42,820 in 2017/18 to £42,519 in 2018/19 as a result of the deficit noted at paragraph 26.

29. 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. However, given the size of the body, this is considered reasonable.

30. We are satisfied with WoSEF’s arrangements for budgetary monitoring and control.

Medium to long term financial planning

31. From 2018/19 onwards, the Forum planned on preparing annual balanced budgets, with contributions matching planned expenditure. As noted at paragraph 26, WoSEF’s outturn position for 2018/19 was a small deficit of £301; a reduction of £5,812 from the 2017/18 deficit of £6,113. Therefore, we are satisfied that WoSEF is making progress towards achieving a balanced budget.

32. Overall, we are satisfied with WoSEF’s arrangements for budgetary monitoring and control.
EU Withdrawal

33. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business.

34. The UK Government and EU agreed a transition period which would result in the continuation of existing EU programmes for the period 2014-20. However, this is not a legally binding agreement and is contingent on the outcome of other aspects of the ongoing Brexit negotiations. Therefore, as this uncertainty continues into 2019/20, this may have an impact on the longer-term role of WoSEF.

35. Recognising the potential implications of Brexit, WoSEF continues to work proactively with the Industrial Communities Alliance and other agencies on various post-Brexit policies, including the proposed replacement of the EU Structural Fund by the UK Shared Prosperity Fund and possibly continuing UK access to a number of collaborative EU funding programmes following Brexit. WoSEF has also engaged in the debate on the replacement State Aid framework that may be put in place following Brexit.

36. 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 preparations for Brexit throughout the coming months as it becomes clear what route the UK will take.
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 accounts and those relating our wider responsibility under the Code of Audit Practice 2016.

<table>
<thead>
<tr>
<th>Audit risk</th>
<th>Assurance procedure</th>
<th>Results and conclusions</th>
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<tbody>
<tr>
<td><strong>Risks of material misstatement in the financial statements</strong></td>
<td></td>
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</tr>
<tr>
<td>1 Risk of management override of controls</td>
<td>Detailed testing of journal entries. Assessment of the estimation methodology applied by WoSEF and the reasonableness of estimates contained in the financial statements. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.</td>
<td>Journal entries and accruals were reviewed as part of substantive testing of the financial statements. No evidence to suggest management override of controls was identified. No accounting estimates were made in preparing the financial statements. No significant transactions that are outside the normal course of business were identified during audit testing. No fraud concerns were identified in respect of management override of controls.</td>
</tr>
</tbody>
</table>

| **Risks identified from the auditor’s wider responsibility under the Code of Audit Practice** | | |
| 2 Future direction of WoSEF | Discussion with officers. Review of committee papers. | The Forum has continued to monitor developments in Brexit negotiations and to work towards identifying various post-Brexit policies, including the proposed replacement of the EU Structural Fund by the UK Shared Prosperity Fund. 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 consider the Forum’s preparations further as part of our 2019/20 audit. |

Uncertainty exists around the future direction of the Forum as the UK plans to leave the EU. 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.
# Appendix 2

## Summary of national performance reports 2018/19

<table>
<thead>
<tr>
<th>2018/19 Reports</th>
<th>Month</th>
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<tbody>
<tr>
<td>Local government in Scotland: Challenges and performance 2018</td>
<td>Apr</td>
</tr>
<tr>
<td>Councils’ use of arm’s-length organisations</td>
<td>May</td>
</tr>
<tr>
<td>Scotland’s colleges 2018</td>
<td>Jun</td>
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<tr>
<td>Forth Replacement Crossing</td>
<td>Jul</td>
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<tr>
<td>Children and young people’s mental health</td>
<td>Aug</td>
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<tr>
<td>NHS in Scotland 2018</td>
<td>Sept</td>
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<tr>
<td>Health and social care integration: update on progress</td>
<td>Oct</td>
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<tr>
<td>Nov</td>
<td>Local government in Scotland: Financial overview 2017/18</td>
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<tr>
<td>Dec</td>
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<td>Jan</td>
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<tr>
<td>Feb</td>
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</tr>
<tr>
<td>Mar</td>
<td>Local government in Scotland: Challenges and performance 2019</td>
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