

West of Scotland European Forum

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for West of Scotland European Forum and the Controller of Audit
December 2022

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Key messages

2021/22 annual 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 and annual governance statement are consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- 3** We received the unaudited annual accounts on 30 June in line with our agreed audit timetable. In light of the cumulative impact of the Covid-19 pandemic, combined with the need to maintain the quality of our audit in a remote working environment, our 2021/22 Annual Audit Plan recognised that the accounts would be audited beyond the target date of 31 October 2022.

Financial sustainability and governance

- 4** WoSEF has appropriate arrangements in place for budget monitoring and financial planning.
- 5** The West of Scotland European Forum has agreed that to reflect the changing policy landscape relating to its activities, it should be wound up in its present form over the course of 2022/23. Clear plans will be required in relation to accounting and governance arrangements for the 2022/23 financial year.

Introduction

1. This report summarises the findings from our 2021/22 audit of West of Scotland European Forum (WoSEF).
2. The scope of our audit was set out in our 2021/22 Annual Audit Plan circulated to Forum members on 11 May 2022. 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.

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
 - 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. 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.
6. 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. Also, local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on 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. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position, and arrangements for securing financial sustainability. 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 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2021/22 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.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

12. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £2,120 as set out in our 2021/22 Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. 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.

Audit appointment from 2022/23

The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

15. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Ernst & Young will be the appointed auditor for WoSEF. We are working closely with the new auditors to ensure a well-managed transition.

16. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

17. There are a number of significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

18. We would like to thank Joint Board members, senior officers and other staff, particularly those in finance for their co-operation and assistance over the last six years.

Part 1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

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.

The management commentary and annual governance statement are consistent with the financial statements and properly prepared in accordance with the applicable requirements.

We received the unaudited annual accounts on 30 June 2022 in line with our agreed audit timetable. In light of the cumulative impact of the Covid-19 pandemic, combined with the need to maintain the quality of our audit in a remote working environment, our 2021/22 Annual Audit Plan recognised that the accounts would be audited beyond the target date of 31 October 2022.

Our audit opinions on the annual accounts are unmodified

19. The annual accounts for the year ended 31 March 2022 were approved by the Forum on 15 December 2022. As reported in the independent auditor's report:

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

The Covid-19 pandemic had no impact on audit evidence

20. The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly.

There were delays in auditing the annual accounts due to the cumulative impact of Covid-19

21. For 2021/22, the submission deadline for local government bodies audited annual accounts has been set at 30 November 2022.

22. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2022. In recognition of the cumulative impact of Covid-19, our Annual Audit Plan set out that we expected that the annual accounts would not be audited by the target date of 31 October 2022, as set out in the audit planning guidance. We have worked with officers throughout the audit process to ensure the successful completion of the audit as timeously as possible.

Public inspection requirements were not fully met, however there were no objections raised to the annual accounts

23. Regulation 9 of the [Local Authority Accounts \(Scotland\) Regulations 2014](#) requires local government bodies to give public notice on their websites by 17 June (at the latest) of the right to inspect its annual report and accounts. The accounts should be available for inspection from 1 July at the latest, for a period of 15 working days from the date specified in the notice.

24. As part of our audit, we confirmed WoSEF's accounts were available for inspection from 1 July, in line with the regulations. However, the public inspection notice for WoSEF's accounts did not appear on the administering authority's website until 20 June 2022, three days after the deadline set in the regulations. No objections were raised to the 2021/22 annual accounts.

Overall materiality is £830

25. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts. We concluded that no changes were required to our planned levels, which are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£830
Performance materiality	£620
Reporting threshold	£40

Source: Annual Audit Plan 2021/22

26. In determining performance materiality we considered the following factors any new risks identified in 2021/22, the history of errors in previous financial

years, the complexity of accounting arrangements and the risk profile of the body generally.

27. The overall scope of the audit was developed to incorporate the significant assessed risks of material misstatement included within [Exhibit 3](#), by ensuring appropriate testing of transactions to identify any instances of management override of controls.

We have one significant finding to report on the annual accounts

28. 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. We have one matter to report as noted in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Going concern basis of accounting</p> <p>In preparing the financial statements, bodies are required to consider whether a going concern basis of accounting is appropriate. Subsequent to the production of the unaudited accounts for 2021/22, the Forum considered plans to disband the body due to the changing policy landscape in its activities. The proposal would see the Forum disbanded during 2022/23, with no subscriptions charged during the financial year. Any remaining funds after all liabilities are discharged will be refunded to member authorities on a pro-rata basis.</p>	<p>Management reviewed the current position to assess whether a going concern basis of accounting remained appropriate.</p> <p>As part of the financial statements audit we reviewed and assessed management's considerations alongside our own consideration of guidance, and concluded that the going concern basis of accounting remained appropriate for WoSEF. Additional narrative disclosures were included in the 2021/22 annual accounts to clarify the position.</p>

Source: Audit Scotland

29. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks from the audit of the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p> <p>Audit testing focussed on sample testing transactions in the annual accounts and ensured they were adequately supported.</p>	<p>Our work did not identify any issues or material errors that required adjustments within the financial statements.</p> <p>There is no evidence of management override of controls from work performed.</p>

There were no identified misstatements

30. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no identified misstatements.

Part 2. Financial sustainability and governance

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services. Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making.

Main judgements

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

The West of Scotland European Forum has agreed that to reflect the changing policy landscape relating to its activities, it should be wound up in its present form over the course of 2022/23. Clear plans will be required in relation to accounting and governance arrangements for the 2022/23 financial year.

Financial performance in 2021/22 and financial planning

31. 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 £41,972, resulting in an underspend of £1,028 against budgeted expenditure of £43,000.

32. Gross income for the year was £41,398, resulting in a net income from services of £567. After accounting for interest income, WoSEF incurred a surplus of £574, which was transferred to the Forum's useable reserves. The balance on useable reserves for the year ended 31 March 2021 was £41,446 and equates to roughly one year's budgeted expenditure.

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

Arrangements for cessation

34. Looking forward, The Forum is currently considering plans to disband the body due to the changing policy landscape in its activities. The proposal would see the Forum disbanded in its current form during 2022/23, with no subscriptions charged during the year. Any remaining funds after all liabilities are discharged would be refunded to member authorities on a pro-rata basis.

35. Any decision to disband the Forum should be accompanied by clear plans for the arrangements for signing the 2021/22 accounts and clarity over the accounting and governance arrangements for the 2022/23 financial year.

Recommendation 1

The Forum should satisfy itself of any legal and financial obligations that may arise from the cessation of the organisation. Any decision to disband the Forum should be accompanied by clear plans around the accounting and governance arrangements for the 2022/23 financial year. (refer [Appendix 1](#), action plan).

National performance audit reports

36. 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 2021/22.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Proposals to wind up the West of Scotland European Forum</p> <p>The Forum is currently considering plans to disband the body due to the changing policy landscape in its activities. The proposal would see the Forum disbanded in 2022/23, with no subscriptions charged during 2022/23. Any remaining funding after all liabilities are discharged will be refunded to member authorities on a pro-rata basis.</p> <p>Risk – There is a risk that plans to disband the Forum are not adequately supported to ensure all accounting and governance requirements are appropriately considered.</p>	<p>The Forum should satisfy itself of any legal and financial obligations that may arise from the cessation of the organisation. Any decision to disband the Forum should be accompanied by clear plans around the accounting and governance arrangements for the 2022/23 financial year</p> <p>(Paragraph 35.</p>	<p>The Forum with engage with host authority officers and develop ensure all financial and legal obligations arising from cessation are addressed.</p> <p>Responsible officer: Economic Development Manager</p> <p>Target date: March 2023</p>

Appendix 2. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

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