



*EAST OF
SCOTLAND
EUROPEAN
CONSORTIUM*

**ANNUAL ACCOUNTS
2016/17**

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Management Commentary

1. Introduction

This Management Commentary outlines the key objectives and strategy of the East of Scotland European Consortium (ESEC) and its financial performance over the 2016/17 financial year.

ESEC was established in 1991. The current membership is made up of the following Councils: Aberdeen City, Angus, Dundee City, Falkirk, Fife, Perth & Kinross and Stirling. Aberdeenshire Council left the Consortium on 31 March 2017. ESEC is a non-statutory joint committee with political representation. The key decision-making body is the Policy Board, comprising one elected member from each member council, underpinned by an Officer Group. The Consortium is serviced by a policy officer employed by a "host" authority and funded through an annual subscription. Host responsibility rotates amongst member councils, and the current host is Angus Council.

The policy officer represents ESEC at key European events ensuring members' interests are represented, raising awareness and identifying funding opportunities and key policy issues. Such networking and representation on partnerships, and the resulting information dissemination, would be unachievable within individual council resources.

Annual Accounts 2016/17

The purpose of the Annual Accounts is to present a summary of the financial activities of the East of Scotland European Consortium for the benefit of members and officers of the constituent authorities and the general public, to report on the stewardship of funds for the financial year 2016/17 and to explain in overall terms the Consortium's financial position.

The Accounts of ESEC have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("The Code") which governs the format and content of local authorities' annual accounts.

The main objective of the Accounting Statements is to provide information about the financial position, financial performance and cash flows of the Consortium.

The Accounting Statements comprise:-

- a) Movement in Reserves Statement for the period;
- b) Comprehensive Income and Expenditure Statement for the period;
- c) Balance Sheet as at the end of the period;
- d) Cash Flow Statement for the period; and
- e) Notes, comprising a summary of significant accounting policies, analysis of significant figures within the Accounting Statements and other explanatory information.

Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 require local authorities in Scotland to prepare a Remuneration Report as part of the Annual Accounts.

In accordance with the Regulations, and the relevant definition of individuals that are to be disclosed in this report, ESEC has no employees that require to be disclosed.

ESEC makes no payment of salary, allowances or pension contributions to any of the councillors who are appointed members of the Consortium.

Annual Governance Statement

This statement provides assurance in relation to ESEC's Governance and internal financial control systems.

2. Main Objectives & Strategy of the Consortium

ESEC's key objective is to enable collaboration between members on shared European priorities. This is achieved by:

- Supporting members with EU policy knowledge and information on EU funding.
- Lobbying on behalf of the East of Scotland to influence EU policy and programmes.
- Ensuring EU policy engagement.
- Helping members access EU funding through intelligence and project development support, ensuring collaboration, particularly if funding is transnational in nature.

3. Financial Performance in 2016/17

Financial Performance

The eight authorities who formed the membership of ESEC in 2016/17 each contributed a sum of £6,750 to the costs of operating the Consortium. This gave a total subscription for the 2016/17 financial year of £54,000.

The net position for the 2016/17 financial year shows a £14,509 deficit as detailed in the Comprehensive Income and Expenditure Statement on page 12. This sum has been deducted from the balance carried forward from 2015/16 resulting in total usable reserves of £67,759 which have been carried forward to the 2017/18 financial year. This is shown in the Movement in Reserves Statement on page 11. ESEC has no unusable reserves.

The actual deficit for the year was less than the budgeted deficit of £17,556, largely due to expenditure on conferences and subsistence being lower than anticipated, offset by additional spend on the Scottish Parliament event in February 2017.

Assets and Liabilities

The Balance Sheet on page 13 sets out ESEC's assets and liabilities at 31 March 2017, and explanatory notes are provided on pages 15 – 18. The total net assets have reduced by £14,509 as a result of the deficit outlined above. Changes in cash and cash equivalents of ESEC during the accounting period are shown in the Cash Flow Statement on page 14.

Accounting Policies

The purpose of this note to the accounts is to explain the basis of the figures in the accounts and to outline the accounting policies adopted in compiling the 2016/17 accounts.

4. Financial Outlook & Plans for the Future

Financial Management

The Consortium has a good track record of prudent and effective financial management and continues to operate within its cash limited budget even though financial year 2016/17 was extremely busy particularly due to the requirement to respond to the challenges arising from the outcome of the EU referendum.

Economic Circumstances & Their Impact

The pressure on public finances is likely to continue for the foreseeable future, and as a result council services among ESEC members continue to face ongoing service and cost pressures. The ESEC Secretariat serves as an extra supportive resource to European and funding officers whose teams are under pressure, and will help to ensure that the views of local authorities are considered during Brexit negotiations.

Financial Outlook

The Consortium is reliant on subscriptions from its members. Stirling Council and Aberdeenshire Council had previously handed in notice to end their ESEC membership, which was to take effect from March 2017. Stirling Council has since decided to retain their membership. The current uncertainty surrounding Brexit may result in other members re-assessing their position in future, and the Consortium will therefore require to exercise increased financial prudence. The Consortium currently has a reasonable level of usable reserves on which it can draw, and therefore the Consortium continues to operate as a going concern in the short term, but those reserves would rapidly diminish if subscription income reduced. The Consortium is open to other organisations joining as associate members, with no voting rights, for an annual fee of £1,500.

Plans for the Future

Please see the chairman's report on page 6.

5. Where to Find More Information

Further information about ESEC can be obtained at www.esec.org.uk. The unaudited Annual Accounts will be available on Angus Council's website www.angus.gov.uk from 1 July 2017.

6. Conclusion and Acknowledgements

We are pleased to record that the Consortium has successfully managed its financial affairs and we would like to take this opportunity to acknowledge the effort in producing the Annual Accounts and record our sincere thanks for the continued hard work and support of those involved.

Ian Lorimer, CPFA
ESEC Treasurer
26 September 2017

Cllr Lynne Devine
Chair of ESEC (2016-17)
26 September 2017



Chairman's Report 2016-17

It seems like only a few short months ago that we approved the previous annual chairman's report, which is undoubtedly a measure of how busy we have been as a consortium, particularly in responding to the challenges which have emerged as an outcome of the EU referendum of June 2016.

Since the decision to leave the EU, the direction of ESEC has shifted considerably and we have altered the objectives within our annual work plan in order to respond to the emerging challenges. Our activities since June 2016 have included lobbying the Scottish government, the UK government and the EU institutions to ensure that the voice of local authorities is taken into consideration during the negotiations on Brexit. To support our position, we drafted a briefing paper which was approved with cross-party support and which we have discussed with key policymakers, including ministers. We also responded to the Scottish Parliament's consultation on the implications of Brexit.

Our region and local authorities have benefited greatly from EU investment and have received hundreds of millions in funding over the years. This has brought real benefits to our communities and so we are making the case for our continued participation in transnational programmes such as INTERREG and ERASMUS, and for a replacement framework for LEADER, the rural development fund which also has the added strength of empowering local communities. I need to stress however, that it is not just about finance. ESEC councillors and local authority officers have nurtured close professional relationships with their European counterparts, and relationships which have been built up over years if not decades. We hope that this will continue in some form, as we have learned as much from our EU colleagues as they have from us, and we will strongly feel the impact if we lose access to these networks of expertise.

In order to highlight the diversity and quality of EU investment in our area, in February 2017 we organised an event in the Scottish Parliament, at which each of our members showcased a variety of EU projects, and were able to discuss them in some detail with the MSPs and ministers present. The programmes we covered included the European Social Fund (ESF), the European Regional Development Fund (ERDF), LEADER, INTERREG, the European Maritime and Fisheries Fund (EMFF), and the Fuel Cells and Hydrogen Joint Undertaking (FCH JU). This incredibly successful event was a call on the UK and Scottish governments to recognise the value of such projects and to take them into consideration during Brexit negotiations.

I have been the Chair of ESEC for just over a year now during which I have the pleasure of meeting a great variety of stakeholders also working on EU affairs. The academic speakers at our Policy Boards particularly stand out, including Professor Michael Keating and Professor Drew Scott, who offered invaluable insight into the situation around Brexit.

Moving forward, Angus Council remains the host of the ESEC secretariat, and will continue to do so until March 2019. However, given the recent change of administration at the council following the local election, I am standing aside as chair and have handed over the role to a colleague.

I'd like to take this opportunity to extend my thanks to all the elected members and council officers with whom I have worked over the past year, and urge them to continue the successful cross-party collaboration that has done so well in advancing the position of local authorities in these challenging times.

Councillor Lynne Devine
ESEC Chair (2016-17)
26 September 2017

MEMBERS AND OFFICIALS

CHAIR

Councillor Lynne Devine – Angus Council (until 4 May 2017)

Councillor Ben Lawrie – Angus Council (from 5 May 2017)

VICE CHAIR

To be confirmed

TREASURER

Ian Lorimer, Head of Corporate Finance – Angus Council

Appointed Members:-

Councillor John Reynolds – Aberdeen City Council

Councillor Ben Lawrie – Angus Council

Councillor Will Dawson – Dundee City Council

To be confirmed – Falkirk Council

To be confirmed – Fife Council

Councillor Peter Barrett – Perth & Kinross Council

Councillor Scott Farmer – Stirling Council

The Statement of Responsibilities

The East of Scotland European Consortium's responsibilities

The Consortium is required:-

- to make arrangements for the proper administration of its financial affairs, and to ensure that one of its officers has responsibility for the administration of those affairs. In respect of the East of Scotland European Consortium that officer is the Treasurer. As Angus Council is the host authority for the 2016/17 financial year this post is held by Ian Lorimer, Head of Corporate Finance, Angus Council;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014, and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- Approve the Annual Accounts for signature.

Signed on behalf of East of Scotland European Consortium

Councillor Lynne Devine
Chair of ESEC (2016-17)
26 September 2017

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the ESEC Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Accounting Code').

In preparing the Annual Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Treasurer has also:

- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the East of Scotland European Consortium at the accounting date and its income and expenditure for the year ended 31 March 2017.

Ian Lorimer, CPFA
ESEC Treasurer
26 September 2017

Movement in Reserves Statement as at 31 March 2017

	Total Usable Reserves of the Organisation £
Balance as at 31 March 2015	(92,190)
Movement in reserves during the year	
(Surplus) or deficit on provision of services	9,922
Other Comprehensive Expenditure and Income	0
Total Comprehensive Expenditure and Income	<u>9,922</u>
Adjustments between accounting & funding basis under regulations	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	<u>9,922</u>
Transfers to/from Earmarked Reserves	0
(Increase)/Decrease in Year	<u>9,922</u>
Balance as at 31 March 2016 carried forward	<u>(82,268)</u>
Movement in reserves during the year	
(Surplus) or deficit on provision of services	14,509
Other Comprehensive Expenditure and Income	0
Total Comprehensive Expenditure and Income	<u>14,509</u>
Adjustments between accounting & funding basis under regulations	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	<u>14,509</u>
Transfers to/from Earmarked Reserves	0
(Increase)/Decrease in Year	<u>14,509</u>
Balance as at 31 March 2017 carried forward	<u>(67,759)</u>

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

2015/16			Note	2016/17		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
34,331	0	34,331	Staff costs	35,309	0	35,309
13,385	0	13,385	Transport costs	11,339	0	11,339
13,612	0	13,612	Supplies & Services	17,228	0	17,228
4,157	0	4,157	Third party payments	5,165	0	5,165
0	(54,000)	(54,000)	Subscription income 2	0	(54,000)	(54,000)
0	(979)	(979)	Other income	0	0	(0)
<u>65,485</u>	<u>(54,979)</u>	<u>10,506</u>	Cost Of Services	<u>69,041</u>	<u>(54,000)</u>	<u>15,041</u>
	(584)	(584)	Financing and investment Income & Expenditure		(532)	(532)
		9,922	(Surplus) or Deficit on Provision of Services			14,509
		<u>0</u>	Other Comprehensive Income and Expenditure			<u>0</u>
		<u>9,922</u>	Total Comprehensive Income and Expenditure			<u>14,509</u>

Balance Sheet

31/03/2016 £	Notes	31/03/2017 £
0	6	0
84,654		73,333
84,654		73,333
(2,386)	7	(5,574)
(2,386)		(5,574)
82,268		67,759
(82,268)	5	(67,759)
(82,268)		(67,759)

The accounts were issued for audit on the 30 June 2017 and the audited accounts were authorised for issue by the Treasurer on the 26 September 2017.

Ian Lorimer, CPFA
ESEC Treasurer
26 September 2017

Cash Flow Statement as at 31 March 2017

2015/16 £		2016/17 £
9,922	Net (surplus) or deficit on the provision of services	14,509
	Adjustment to surplus or deficit on the provision of services for non cash movements:	
(116)	- (Increase) / decrease in creditors	(3,188)
(2,192)	- Increase / (Decrease) in debtors	0
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
<u>584</u>	- Interest receivable	<u>532</u>
8,198	Net Cash flows from Operating Activities	11,853
0	Net Cash flows from Investing Activities	0
	Net Cash flows from Financing Activities:	
<u>(584)</u>	- Interest receivable	<u>(532)</u>
7,614	Net (increase) or decrease in cash and cash equivalents	11,321
<u>(92,268)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(84,654)</u>
<u><u>(84,654)</u></u>	Cash and Cash equivalents at the end of the reporting period	<u><u>(73,333)</u></u>

Notes to the Accounts for the year ended 31 March 2017

1 Accounting Policies

The following policies have been adopted in compiling the Financial Statements for 2016/17:-

General

The financial statements for the year ended 31 March 2017 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), based on International Financial Reporting Standards.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the provision of services is recognised when ESEC can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to ESEC.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received including those rendered by Officers are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts are likely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those which provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such items.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Notes to the Accounts for the year ended 31 March 2017

1 Accounting Policies (continued)

Financial Liabilities

Financial liabilities and asset instruments are classified according to the substance of the contractual arrangements entered into. Finance costs and gains or losses relating to financial liabilities and foreign exchange transactions are included in the Comprehensive Income and Expenditure Statement.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of ESEC's financial performance.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. The figures in the accounts are shown net of VAT. ESEC is administered by Angus Council so all vatatable transactions relating to ESEC are recovered by the Council.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Notes to the Accounts for the Year Ended 31 March 2017

2	<u>Comprehensive Income and Expenditure Statement - Council Contributions</u>	<u>2015/16</u>	<u>2016/17</u>
		£	£
	Aberdeen City Council	6,750	6,750
	Aberdeenshire Council	6,750	6,750
	Angus Council	6,750	6,750
	Dundee City Council	6,750	6,750
	Falkirk Council	6,750	6,750
	Fife Council	6,750	6,750
	Perth and Kinross Council	6,750	6,750
	Stirling Council	6,750	6,750
		<u>54,000</u>	<u>54,000</u>

3	<u>Comprehensive Income and Expenditure Statement – expenditure incurred by Angus Council</u>	<u>2015/16</u>	<u>2016/17</u>
		£	£
	Angus Council as host authority made a charge to ESEC for support costs.	1,867	2,875
	Policy Officer – Angus Council payroll payment (including travel)	<u>35,273</u>	<u>35,933</u>
		<u>37,140</u>	<u>38,808</u>

4	<u>Comprehensive Income and Expenditure Statement - Disclosure of Audit Costs</u>	<u>2015/16</u>	<u>2016/17</u>
		£	£
	Fee payable to Audit Scotland for external audit services	<u>2,290</u>	<u>2,290</u>
		<u>2,290</u>	<u>2,290</u>

5 Balance Sheet - Reserves

Movements in ESEC's usable reserves are detailed in the Movement in Reserves Statement.

Notes to the Accounts for the Year Ended 31 March 2017

6	<u>Balance Sheet - Short Term Debtors</u>	<u>2015/16</u>	<u>2016/17</u>
		£	£
	Other Entities and Individuals	0	0
		<u>0</u>	<u>0</u>

7	<u>Balance Sheet - Short Term Creditors</u>	<u>2015/16</u>	<u>2016/17</u>
		£	£
	Central Government Body	1,653	3,793
	Angus Council – Local Authority	521	406
	Other Entities and Individuals	212	1,375
		<u>2,386</u>	<u>5,574</u>

8 Amounts Reported for Resource Allocation Decisions
 The amounts reported to the Policy Board for the purposes of resource allocation decisions during the year is similar to that contained within the accounts. Further disclosure is therefore not required.

9 Pension Costs (IAS 19)
 The ESEC officer is employed by Angus Council and the resulting net pension liability is included in the Balance Sheet of Angus Council.

10 Related Party Transactions
 ESEC is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence ESEC or to be controlled or influenced by ESEC. Disclosure of these transactions allows readers to assess the extent to which ESEC might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with ESEC.

ESEC is required to disclose material transactions with other parties. Income from constituent authorities is shown in note 2 and expenditure paid to Angus Council is shown in note 3.

Annual Governance Statement

Introduction

The Policy Board is responsible for ensuring that the East of Scotland European Consortium's (ESEC) business is conducted in accordance with the law and proper standards, and that resources are safeguarded and properly accounted for. The Policy Board comprises one elected member from each member council and is underpinned by an Officer Group.

In discharging this overall responsibility, the Policy Board is responsible for putting in place proper arrangements for the governance of ESEC's affairs and facilitating the exercise of its functions. This includes setting the strategic direction, putting in place processes and procedures to ensure the proper administration of its financial affairs, and ensuring that appropriate arrangements are in place for the management of risk.

The Policy Board has not approved and adopted its own Code of Corporate Governance which is consistent with the principles and recommendations of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government* and the supporting guidance notes for Scottish authorities; rather it operates within the principles of the Code adopted by the host authority.

The host authority's financial arrangements i.e. Angus Council do not fully comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) because the Head of Corporate Finance, as Chief Financial Officer for the Council, does not report directly to the Chief Executive. The Council's arrangements do however achieve the same impact and, with the exception of management reporting lines, comply in all material respects with the CIPFA Statement on the Role of the Chief Financial Officer.

This is the third time the Consortium has undertaken a review of its Governance arrangements to inform preparation of an Annual Governance Statement.

The Governance Framework

The key elements of the Consortium's governance arrangements include:

- The Policy Board sets out its planned activities in its Annual Work Plan which is approved by the Board; in addition the annual budget is also approved by the Policy Board.
- A robust and effective meeting structure is in place, with meetings attended by an appointed elected member from each constituent authority, where strategic issues facing the Consortium can be addressed.
- Performance reports (including financial information) are provided to the Policy Board.
- The Policy Board responds to findings and recommendations of Audit Scotland.
- The role of the Policy Officer is defined in an agreed job description and performance is reviewed on an annual basis.
- The Board appointed Treasurer is responsible for ensuring appropriate advice is

given to the Board on all financial matters, keeping proper financial records of accounts and maintaining an effective system of internal financial control under the terms of the host authorities financial regulations.

- The Consortium works with other Scottish local government consortia and CoSLA on relevant issues.

System of Internal Financial Control & Review of Effectiveness

Within the Consortium's overall governance framework specific arrangements are in place as part of the system of internal financial control. This system is intended to ensure that reasonable assurance can be given that assets are safeguarded, transactions are authorised and properly recorded and material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by officers within ESEC and Angus Council. In particular, the system includes:-

- Approval of an annual budget.
- Regular reviews of periodic financial reports.
- The preparation of regular financial reports which indicate actual expenditure against targets.

The Consortium uses the systems of the host council, i.e. Angus Council, for processing all financial transactions. These systems are subject to regular review and monitoring by Angus Council internal and external auditors.

During the year to 31 March 2017 no specific reviews or investigations for ESEC were carried out by either internal or external auditors.

The Treasurer's review of the effectiveness of the system of internal financial control is informed by the internal financial control arrangements which exist within Angus Council (and the review of these undertaken by internal audit as part of the Council's overall corporate governance annual review) as well as the work of both the ESEC Policy officer and the Angus Council finance team.

Having reviewed this work, it is the Treasurer's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of ESEC's internal control system.

Review of Framework

This is the fourth review of the Consortium's governance framework. In carrying out this review we have relied on a number of sources of assurance, including:

- Assurances received from the Treasurer including his review of the effectiveness of Internal Financial Controls.

- Assurances received from the host authority in relation to the financial systems hosted by them.
- The Performance Management arrangements in place.

No specific improvement areas have been identified for 2017/18.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the East of Scotland European Consortium's systems of governance.

Ian Lorimer
ESEC Treasurer
26 September 2017

Cllr Lynne Devine
Chair of ESEC (2016-17)
26 September 2017

Independent auditor's report to the members of East of Scotland European Consortium and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of East of Scotland European Consortium for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, and the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its deficit on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Treasurer, for the financial statements

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Treasurer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Treasurer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial

statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Andrew Shaw, (for and on behalf of KPMG LLP, Statutory Auditor)
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

26 September 2017

East of Scotland European Consortium

GLOSSARY

CIPFA	Chartered Institute of Public Finance & Accountancy
COSLA	Convention of Scottish Local Authorities
EMFF	European Maritime and Fisheries Fund
ERASMUS	EU Programme for Education, Training, Youth and Sport
EU	European Union
INTERREG	European Territorial Cooperation
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
SOLACE	Society of Local Authority Chief Executives