

*EAST OF
SCOTLAND
EUROPEAN
CONSORTIUM*

**ANNUAL ACCOUNTS
2015/16**

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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 2015/16 financial year.

ESEC was established in 1991. The current membership is made up of the following Councils: Aberdeen City, Aberdeenshire, Angus, Dundee City, Falkirk, Fife, Perth & Kinross and Stirling. 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 2015/16

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 2015/16 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 2015/16 ("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 Financial Statements.

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 2015/16

Financial Performance

The eight authorities who now form the membership of ESEC each contribute a sum of £6,750 to the costs of operating the Consortium. This gives a total subscription for the 2015/16 financial year of £54,000.

The net position for the 2015/16 financial year shows a £9,922 deficit as detailed in the Comprehensive Income and Expenditure Statement on page 13. This sum has been deducted from the surplus carried forward from 2014/15 resulting in total usable reserves of £82,268 which have been carried forward to the 2016/17 financial year. This is shown in the Movement in Reserves Statement on page 12. ESEC has no unusable reserves.

The deficit was a result of the reserve strategy agreed by the Policy Board to spend some of the reserves on a familiarisation visit to Brussels in June 2015 and also to promote East of Scotland produce at a Food and Drink event in Brussels over the summer of 2015.

Assets and Liabilities

The Balance Sheet on page 14 sets out ESEC's assets and liabilities at 31 March 2016, and explanatory notes are provided on pages 16 – 19. The total net assets have reduced by £9,922 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 15.

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 2015/16 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 2015/16 was extremely busy with many EU funding programmes ending and negotiations reaching their conclusions for new programmes covering the period 2014-2020.

Economic Circumstances & Their Impact

The pressure on public finances continues, despite the perceived improvement in the general UK economy over the course of the year and as a result council services among 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.

Financial Outlook

The Consortium is reliant on subscriptions from its members. Citing budget cuts, Stirling Council handed in its notice of ESEC membership, which was to take effect from March 2016. Stirling Council have now decided to remain a member for 2016/17, but have given another year's notice which will take effect from March 2017. Aberdeenshire Council have also given notice of their intention to leave at the end of 2016/17. This loss in fees will require extra financial prudence, however the Consortium has significant usable reserves on which it can draw on and therefore the Consortium continues to operate as a going concern. The Consortium is also trying to attract other organisations to join as associate members, with no voting rights, for an annual fee of £1,500.

Plans for the Future

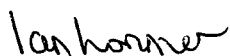
Please see the chairman's report on page 6.

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 2016.

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
ESEC Treasurer
23 September 2016



CLlr Lynne Devine
Chair of ESEC
23 September 2016



Chairman's Report 2015-16

It seems like only a few short months ago that I last drafted the annual ESEC chairman's report, which is perhaps an indication of just how busy the past year has been and of the many different projects we have all been involved with.

To begin with, it's necessary to mention the outcome of the EU referendum. Only a few days ago, the UK voted to leave the EU in a significant and unexpected result. ESEC was strongly in favour of remaining a member of the EU and so this was a disappointing outcome. Our region and local authorities have benefited greatly from EU membership, and our communities have received hundreds of millions in EU funding over the years. At the time of going to press it is too early to say what the implications might be, and our Policy Board will soon meet to discuss how this will affect local government, and we will try to mitigate any negative consequences. Our councillors and local authority officers have nurtured close professional relationships with their European counterparts, working 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 supportive networks.

Kicking off a busy summer season, in July of last year ESEC co-hosted a summer reception in Brussels and guests were served delicacies from our region including buffalo from Fife, smokies from Arbroath, Dundee cake, chocolates from Aberdeenshire, haggis from Falkirk, gin from Perthshire, potato vodka from Angus and cheese from St Andrews. The event was organised to promote Scotland's Year of Food and Drink at EU level. More than 150 people attended the reception, including guests from the European Parliament and European Commission, and representatives from other EU regions. We were joined by chef Jamie Scott of Arbroath, the winner of Masterchef: The Professionals, who shared his insights on what makes Scotland such a unique Land of Food and Drink.

In October 2015, the ESEC secretariat was present at the European launch of the Scottish EU funding portal, at Scotland House in Brussels. The portal is an online resource for Scottish organisations interested in EU funding, and for organisations seeking to work with Scottish partners, and was developed along with Scotland Europa, ESEC, WoSEF and the Scottish Government. The portal provides detailed information on all the EU programmes for which Scotland is eligible, including sectors, co-finance rates and upcoming call dates. It also has a database of almost 4,000 projects which have received European funding. If you have not yet had the chance to explore the portal, then I would invite you to do so as it really is an invaluable source of potential EU funding.

In November of last year two of our elected members stepped down from their vice-chair positions due to other commitments. I'd like to take this opportunity to thank Councillor David Ross of Fife Council and Councillor Alison Evison of Aberdeenshire Council for all they have done in supporting ESEC and its members. Councillor Will Dawson of Dundee City Council and Councillor Martin Oliver of Falkirk Council were nominated and elected as vice-chairs respectively and both have a keen interest in EU affairs and economic development in our area, and I'm sure they will provide invaluable support to the chair and EU officer.

Towards the end of 2015 we adopted the ESEC Work Plan for 2016, and both officers and elected members offered considerable input into the priorities and direction of the consortium. It was

unanimously agreed to add a fourth priority on communicating ESEC's activities to a wider audience, which included an overview of the EU funding the region covered by ESEC has invested in the last programming period 2007-13. Projects in this period include those on renewable energy, rural development, social inclusion, poverty reduction, employment opportunities and town centre regeneration. Our communities have massively benefited from these investments, and it is important to state that without European funding these projects would never have gotten off the ground.

In February of this year we co-organised an EU funding information day, along with Scotland Europa, which was well attended by council officers and elected members. The event served as an introduction for newer members on the various EU funds available to Scottish organisations, and for those officers with a few more years' experience we hope it served a reminder of the many opportunities that exist for local authorities. The session was immediately followed by a workshop on funding opportunities for the low-carbon transport sector, which is an area of high priority for all our members and who are working collaboratively on reducing CO2 emission across Scotland.

The new Structural Funds have mostly all come on line, and all should be operational by the end of this year. This has presented new challenges for all officers with responsibility for engaging with the programme, as there are still some questions regarding the eligibility and criteria for accessing some of the funds, alongside some of the more technical aspects on finance and compliance. The ESEC membership will continue to work collaboratively on sharing intelligence and is seeking to develop training sessions for its members in order to support them in accessing these funds.

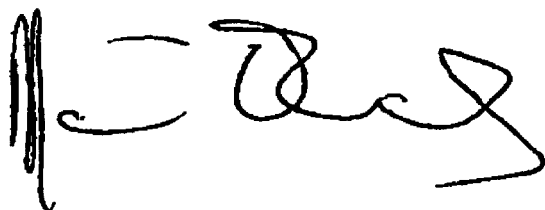
Staying on the subject of funding, our membership remains highly active in the area of EU transnational cooperation, specifically through the INTERREG funding programmes. These funds seek to address regional disparities and challenges by setting up projects via which local authorities, academic institutions, social enterprises and other relevant groups in other parts of Europe can learn from each other. The areas of focus include social innovation, climate change mitigation, resource efficiency and much more. To be eligible for these funds, it is necessary to develop projects with partners in other parts of Europe, demonstrate the need for change and solutions in the local area and, by the end of the project, be able to demonstrate positive change in the community. Most of our members are engaging with the INTERREG programme, have submitted bids and are now waiting to hear back on whether or not the application will be successful. INTERREG is a hugely competitive programme and so there is no guarantee of approval, but our members have developed high-quality projects that will undoubtedly bring real positive change on the ground and so we remain positive.

The past year has been significant for our rural members as the LEADER programme is now active after a delay of several months. This fund seeks to foster rural development by empowering local communities to develop and approve grassroots projects and activities. When developing policy at either national or EU level, we stress the need for local authorities to be involved at all stages of the decision making process, as councillors and council officers are working on the ground with people and witness first-hand the needs and ambitions of our communities. The LEADER fund takes this one step further, and devolves this decision-making of which projects should be funded right down to the grassroots level and there is no one better-placed to know what is needed to foster development than these committed and hard-working local action groups.

Over the past year ESEC has welcomed new colleagues to both the Officer Group and Policy Board, and we will continue to support these members in developing their knowledge of EU policy and funding via events like the information day mentioned above, and also one-on-one support when requested. The Officer Group continues to meet 4 times a year, and the feedback on the group – particularly from those officers who are newer in post – is that it provides an invaluable source of support and intelligence for those around the table. ESEC is a small organisation with a small secretariat and this level of participation is essential to the success of ESEC, and I would therefore like to thank all officers on behalf of myself and Joanne Scobie, ESEC's EU officer, for their continued support and contribution.

While this year was extremely busy for each and every one of our elected members and officers, it was also something of a big one for me. In May this year I was elected as a Member of the Scottish Parliament, serving the constituency of Angus North and the Mearns. While I am extremely honoured and excited by my new role, it does unfortunately mean that I will soon have to give up my role as chair of ESEC after 4 eventful years in the post. Gladly, it does not mean that we will have to stop collaborating as within the parliament I am a member of the Local Government committee, so I am positive we will continue to work together to support the role of local authorities for the benefit of our local communities. Alongside this, I continue to be passionate about Scotland's role in Europe and intend to continue my engagement with other European colleagues, and in this regard I will support ESEC wherever I can.

I'd like to take this opportunity to extend my thanks to all the elected members and council officers who have been involved with ESEC over the years, and who have contributed to often lively debates at Policy Board meetings! I now confidently hand over the chairmanship to my colleague, Councillor Lynne Devine, and wish her success for her future role.

A handwritten signature in black ink, appearing to read 'M. Evans', written in a cursive style.

Cllr Mairi Evans
Chair of ESEC
30 June 2016

MEMBERS AND OFFICIALS

CHAIR

Councillor Mairi Evans – Angus Council (until 30 June 2016)

Councillor Lynne Devine – Angus Council (from 1 July 2016)

VICE CHAIR

Councillor Will Dawson – Dundee City Council

Councillor Martin Oliver - Falkirk Council

TREASURER

Ian Lorimer, Head of Corporate Improvement & Finance – Angus Council

Appointed Members:-

Councillor Barney Crockett – Aberdeen City Council

Councillor Geva Blackett - Aberdeenshire Council

Councillor Mairi Evans – Angus Council

Councillor Will Dawson – Dundee City Council

Councillor Martin Oliver – Falkirk Council

Councillor Tony Martin – Fife Council

Councillor John Kellas – Perth & Kinross Council

Councillor Corrie McChord – 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 2015/16 financial year this post is held by Ian Lorimer, Head of Corporate Improvement and 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 2015), 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.

I confirm that these Annual Accounts were approved for signature by ESEC Board at its Board meeting on 23 September 2016.

Signed on behalf of East of Scotland European Consortium



Councillor Lynne Devine
Chair of ESEC

23 September 2016

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').

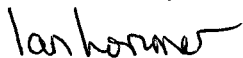
In preparing the Annual Accounts, the Treasurer has:

- 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 2016.



Ian Lorimer, CPFA
ESEC Treasurer
23 September 2016

Movement in Reserves Statement as at 31 March 2016

	Total Usable Reserves of the Organisation £
Balance as at 31 March 2014	(83,587)
Movement in reserves during the year	
(Surplus) or deficit on provision of services	(8,603)
Other Comprehensive Expenditure and Income	0
Total Comprehensive Expenditure and Income	<u>(8,603)</u>
Adjustments between accounting & funding basis under regulations	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	<u>(8,603)</u>
Transfers to/from Earmarked Reserves	0
(Increase)/Decrease in Year	<u>(8,603)</u>
Balance as at 31 March 2015 carried forward	<u>(92,190)</u>
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><u>9,922</u></u>
Balance as at 31 March 2016 carried forward	<u><u>(82,268)</u></u>

Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

2014/15			Note	2015/16		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
23,878	0	23,878	Staff costs	34,331	0	34,331
6,530	0	6,530	Transport costs	13,385	0	13,385
11,368	0	11,368	Supplies & Services	13,612	0	13,612
4,167	0	4,167	Third party payments	4,157	0	4,157
0	(54,000)	(54,000)	Subscription income 2	0	(54,000)	(54,000)
0	0	0	Other income	0	(979)	(979)
<u>45,943</u>	<u>(54,000)</u>	<u>(8,057)</u>	Cost Of Services	<u>65,485</u>	<u>(54,979)</u>	<u>10,506</u>
	(546)	(546)	Financing and investment Income & Expenditure		(584)	(584)
		(8,603)	(Surplus) or Deficit on Provision of Services			9,922
		0	Other Comprehensive Income and Expenditure			0
		<u>(8,603)</u>	Total Comprehensive Income and Expenditure			<u>9,922</u>

Balance Sheet as at 31 March 2016

31/03/2015 £	Notes	31/03/2016 £
2,192	6	0
	Short Term Debtors	
	Cash and Cash Equivalents – Short Term Deposit with Angus Council Loans Fund	<u>84,654</u>
<u>92,268</u>		
<u>94,460</u>	Current Assets	<u>84,654</u>
(2,270)	7	(2,386)
	Short Term Creditors	
<u>(2,270)</u>		<u>(2,386)</u>
<u>92,190</u>	Net Assets	<u>82,268</u>
(92,190)	5	(82,268)
	Usable Reserves	
<u>(92,190)</u>	Total Reserves	<u>(82,268)</u>

The accounts were issued for audit on the 30 June 2016 and the audited accounts were authorised for issue by the ESEC Board on the 23 September 2016.

Ian Lorimer

Ian Lorimer, CPFA
ESEC Treasurer
23 September 2016

Cash Flow Statement as at 31 March 2016

2014/15 £		2015/16 £
(8,603)	Net (surplus) or deficit on the provision of services	9,922
	Adjustment to surplus or deficit on the provision of services for non cash movements:	
365	- (Increase) / decrease in creditors	(116)
2,192	- Increase / (Decrease) in debtors	(2,192)
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
<u>546</u>	- Interest receivable	<u>584</u>
(5,500)	Net Cash flows from Operating Activities	8,198
0	Net Cash flows from Investing Activities	0
	Net Cash flows from Financing Activities:	
<u>(546)</u>	- Interest receivable	<u>(584)</u>
(6,046)	Net (increase) or decrease in cash and cash equivalents	7,614
<u>(86,222)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(92,268)</u>
<u>(92,268)</u>	Cash and Cash equivalents at the end of the reporting period	<u>(84,654)</u>

Notes to the Accounts for the year ended 31 March 2016

1 Accounting Policies

The following policies have been adopted in compiling the Financial Statements for 2015/16:-

General

The financial statements for the year ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (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 2016

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 and Prior Period Adjustments

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.

Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

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 2016

<u>Comprehensive Income and Expenditure Statement - Council</u>		
2 Contributions	<u>2014/15</u>	<u>2015/16</u>
	<u>£</u>	<u>£</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>

<u>Comprehensive Income and Expenditure Statement – expenditure incurred by Angus Council</u>		
3	<u>2014/15</u>	<u>2015/16</u>
	<u>£</u>	<u>£</u>
Angus Council as host authority made a charge to ESEC for support costs.	1,877	1,867
Policy Officer – Angus Council payroll payment (including travel)	24,620	35,273
	<u>26,497</u>	<u>37,140</u>

<u>Comprehensive Income and Expenditure Statement - Disclosure of</u>		
4 Audit Costs	<u>2014/15</u>	<u>2015/16</u>
	<u>£</u>	<u>£</u>
Fee payable to Audit Scotland for external audit services	2,290	2,290
	<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 2016

6	<u>Balance Sheet - Short Term Debtors</u>	<u>2014/15</u> £	<u>2015/16</u> £
	Other Entities and Individuals	2,192	0
		2,192	0
7	<u>Balance Sheet - Short Term Creditors</u>	<u>2014/15</u> £	<u>2015/16</u> £
	Central Government Body	1,654	1,653
	Angus Council – Local Authority	616	521
	Other Entities and Individuals	0	212
		2,270	2,386

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 Improvement & 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 2016 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

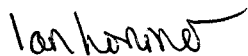
This is the third review of the Consortium's governance framework. In carrying out this review we have relied on a number of sources of assurance, including:

- 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 2016/17.

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

23 September 2016



Cllr Lynne Devine

Chair of ESEC

23 September 2016

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

I certify that I have audited the financial statements of East of Scotland European Consortium for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and the related notes. 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 East of Scotland European Consortium 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. In addition, I 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 me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of East of Scotland European Consortium as at 31 March 2016 and of the income and expenditure of East of Scotland European Consortium 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 2015/16 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.

Opinion on other prescribed matters

In my opinion the information given in the Management Commentary and the Chairman's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit;
or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

M. Tate

Pearl Tate
Senior Audit Manager (Audit Services)
Audit Scotland
102 West Port
Edinburgh
EH3 9DN

23 September 2016