



*EAST OF  
SCOTLAND  
EUROPEAN  
CONSORTIUM*

**ANNUAL ACCOUNTS  
2017/18**

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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 2017/18 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. 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 2017/18**

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 2017/18 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 2017/18 ("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) Regulations 2014 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 2017/18**

### **Financial Performance**

The seven authorities who formed the membership of ESEC in 2017/18 each contributed a sum of £6,750 to the costs of operating the Consortium. This gave a total subscription for the 2017/18 financial year of £47,250.

The highest area of expenditure was on staff costs for the EU Officer (Policy and Partnerships) post. Other significant areas of expenditure in 2017/18 included £10,076 membership fees for Scotland Europa and travel and subsistence costs. At the end of March the ESEC Policy Board and Officer Group went to Brussels on a Brexit fact finding trip, incurring costs of over £5,000.

The net position for the 2017/18 financial year shows a £21,646 deficit as detailed in the Comprehensive Income and Expenditure Statement on page 12. This sum has been deducted from the balance carried forward from 2016/17 resulting in total usable reserves of £46,113 which have been carried forward to the 2018/19 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 more than the budgeted deficit of £20,379 largely due to expenditure on travel, professional fees and the audit fee being higher than anticipated, partially offset by underspends in other areas.

### **Assets and Liabilities**

The Balance Sheet on page 13 sets out ESEC's assets and liabilities at 31 March 2018, and explanatory notes are provided on pages 15 – 18. The total net assets have reduced by £21,646 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.

### **Significant 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 2017/18 accounts.

## **4. Financial Outlook & Plans for the Future**

### **Financial Management**

The Consortium has a good track record of prudent and effective financial management. Financial year 2017/18 was particularly busy due to the requirement to respond to the challenges arising from the outcome of the EU referendum. This resulted in a significant deficit in the budget position with the Consortium having to draw on its reserves.

### **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 budgeted position for 2018/19 is a deficit of £15,537. Based on this position, the reserves will only last for 3 years, and there is a significant risk that the Consortium will not be able to continue to operate without reductions in expenditure or increases in income. This risk is compounded by the fact that the Consortium is reliant on subscriptions from its members. The current uncertainty surrounding Brexit may result in members re-assessing their position in future, and the Consortium therefore needs to exercise increased financial prudence. 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](http://www.esec.org.uk). The unaudited Annual Accounts will be available on Angus Council's website [www.angus.gov.uk](http://www.angus.gov.uk) from 1 July 2018.

## **6. Conclusion and Acknowledgements**

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 in ESEC's activities.

Ian Lorimer, CPFA  
ESEC Treasurer  
xx September 2018

Cllr Ben Lawrie  
Chair of ESEC  
xx September 2018



## Chairman's Report 2017-18

It has been just over a year since I was first elected as a councillor and subsequently nominated by colleagues to take the chairman role of ESEC, a position Angus Council is privileged to hold as the current consortium secretariat. As a politician with a keen interest in EU affairs, I keenly accepted the nomination.

The past year has been a busy one for the 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 over the past few months 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 have produced a briefing paper which is updated on a regular basis to reflect developments as negotiations on Brexit proceed.

We responded to the Scottish Parliament's consultation on European Structural and Investment Funds, in which our member councils were able to share their views on the delivery of EU funding to date, along with recommendations on the design of the proposed UK Shared Prosperity Fund (UKSPF), which the UK government has confirmed will replace the European Social Fund (ESF) and the European Regional Development Fund (ERDF). The UKSPF offers an opportunity to create a funding framework which is flexible, less-bureaucratic than structural funds have been, and more responsive to local need. We look forward to responding to the UK government's consultation when it opens later this year.

Along with inputting into the design of the UKSPF, one of our other priorities is the Erasmus+ programme, both in continuing to secure funding and projects while we remain an EU member, and also on making the case for our continued participation post-Brexit. Research carried out by ESEC revealed that organisations across our area have received grants of over €11 million since 2014, although even this is a conservative total as it only covers local-led projects. In 2017, Scotland as a whole was awarded its highest ever amount of Erasmus funding – €21m compared to €16m in 2016. Erasmus+ is arguably best known as the programme which offers university students the opportunity to spend time in another EU country, but for our local communities it is so much more than that. It enables apprentices in any sector to train in other countries, and groups of young people can enjoy exchanges of one or two weeks in another EU member state. For local authorities, one of the most important elements of Erasmus+ is the schools strand, which allows teachers to attend professional development workshops in other EU countries, and not just to improve language skills. Many schools are involved in exchange or co-operation programmes through projects on, for example, climate change, innovation or science, technology, engineering and mathematics subjects. According to the British Council, more than 500 schools have been involved with

Erasmus+ since 2014. By withdrawing from Erasmus+, we would be letting down our young people, teachers and youth workers.

Another programme of critical importance for us is Interreg, which supports European Territorial Cooperation. Again, Scottish organisations have been hugely successful in securing investment in this programme. Since 2014 (and as of February 2018), there had been 94 approved projects in Scotland, totalling almost €50 million. 5 of our member councils have had Interreg projects approved, some with more than 1, which demonstrates the value of Interreg for local authorities. I should stress however, that it is not just about finance. Our councils have nurtured close professional relationships with European colleagues via the Interreg framework, and we hope that this will continue in some form. We have learned as much from these relationships as they have from us, and we will strongly feel the impact if we lose access to these networks of expertise. There have been positive developments from the EU on our continued participation in Interreg post-Brexit; on 29 May 2018 the European Commission adopted a regulation which specifically refers to UK participation. The ball is now in the UK government's court, choosing to opt-in to the programme would allow us to keep developing key projects. We will make the case for this by sharing information and successes from our previous and ongoing Interreg projects.

2018 will continue to be a busy year for ESEC and its member councils, as we closely monitor developments on the aforementioned UK Shared Prosperity Fund, and continue to lobby for our continued participation in transnational EU funding by demonstrating the value and diversity of the projects we have delivered.

Finally, I'd like to offer my thanks to my fellow board members and council officers whom I have gotten to know over the past year, and urge them to continue the successful collaboration that has done so well in advancing the position of local authorities in these unpredictable times.

Councillor Ben Lawrie  
ESEC Chair  
21 September 2018

## **MEMBERS AND OFFICIALS**

### **CHAIR**

Councillor Ben Lawrie – Angus Council

### **VICE CHAIRS**

Councillor John Reynolds – Aberdeen City Council

Councillor Will Dawson – Dundee City Council

### **TREASURER**

Ian Lorimer, Head of Finance and Legal – Angus Council

### **Appointed Members:-**

Councillor John Reynolds – Aberdeen City Council

Councillor Ben Lawrie – Angus Council

Councillor Will Dawson – Dundee City Council

No member at present. Issue will be raised again – Falkirk Council

Councillor Altany Craik – 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 2017/18 financial year this post is held by Ian Lorimer, Head of Finance and Legal, 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).
- to approve the Annual Accounts for signature.

Signed on behalf of East of Scotland European Consortium

Councillor Ben Lawrie  
Chair of ESEC  
21 September 2018

### **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 2018.

Ian Lorimer, CPFA  
ESEC Treasurer  
21 September 2018

**Movement in Reserves Statement as at 31 March 2018**

	<b>Total Usable Reserves of the Organisation £</b>
<b>Balance as at 31 March 2016</b>	(82,268)
<b>Movement in reserves during the year</b>	
(Surplus) or deficit on provision of services	14,509
Other Comprehensive Expenditure/(Income)	0
<b>Total Comprehensive Expenditure</b>	<u>14,509</u>
Adjustments between accounting & funding basis under regulations	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	14,509
Transfers to/from Earmarked Reserves	<u>0</u>
<b>(Increase)/Decrease in Year</b>	14,509
<b>Balance as at 31 March 2017 carried forward</b>	<u>(67,759)</u>
<b>Movement in reserves during the year</b>	
(Surplus) or deficit on provision of services	<b>21,646</b>
Other Comprehensive Expenditure/(Income)	<b>0</b>
<b>Total Comprehensive Expenditure</b>	<u><b>21,646</b></u>
Adjustments between accounting & funding basis under regulations	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>21,646</b>
Transfers to/from Earmarked Reserves	<u><b>0</b></u>
<b>(Increase)/Decrease in Year</b>	<u><b>21,646</b></u>
<b>Balance as at 31 March 2018 carried forward</b>	<u><b>(46,113)</b></u>

**Comprehensive Income and Expenditure Statement for the year ended 31 March 2018**

2016/17			Note	2017/18		
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £
35,309	0	35,309	Staff costs	36,821	0	36,821
11,339	0	11,339	Transport costs	10,458	0	10,458
17,228	0	17,228	Supplies & Services	14,491	0	14,491
5,165	0	5,165	Third party payments	7,512	0	7,512
0	(54,000)	(54,000)	Subscription income 2	0	(47,250)	(47,250)
0	0	0	Other income	0	0	(0)
<u>69,041</u>	<u>(54,000)</u>	<u>15,041</u>	<b>Cost Of Services</b>	<u>69,282</u>	<u>(47,250)</u>	<u>22,032</u>
			Financing and investment Income & Expenditure			
	<u>(532)</u>	<u>(532)</u>			<u>(386)</u>	<u>(386)</u>
		14,509	<b>(Surplus) or Deficit on Provision of Services</b>			21,646
		<u>0</u>	<b>Other Comprehensive Expenditure/(Income)</b>			<u>0</u>
		<u>14,509</u>	<b>Total Comprehensive Expenditure/(Income)</b>			<u>21,646</u>

**Balance Sheet as at 31<sup>st</sup> March 2018**

31/03/2017 £	Notes	31/03/2018 £
73,333	Cash and Cash Equivalents – Short Term Deposit with Angus Council Loans Fund	<u>55,811</u>
<u>73,333</u>	<b>Current Assets</b>	<u>55,811</u>
(5,574)	Short Term Creditors	<u>(9,698)</u>
<u>(5,574)</u>	<b>Current Liabilities</b>	<u>(9,698)</u>
<u>67,759</u>	<b>Net Assets</b>	<u>46,113</u>
<u>(67,759)</u>	Usable Reserves	<u>(46,113)</u>
<u>(67,759)</u>	<b>Total Reserves</b>	<u>(46,113)</u>

The unaudited accounts were issued for audit on the 29 June 2018 and the audited accounts were authorised for issue by the Treasurer on the 21 September 2018.

Ian Lorimer, CPFA  
ESEC Treasurer  
21 September 2018

**Cash Flow Statement as at 31 March 2018**

2016/17 £		2017/18 £
14,509	<b>Net (surplus) or deficit on the provision of services</b>	<b>21,646</b>
	Adjustment to surplus or deficit on the provision of services for non cash movements:	
(3,188)	- (Increase) / decrease in creditors	<b>(4,124)</b>
0	- Increase / (Decrease) in debtors	<b>0</b>
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
<u>532</u>	- Interest receivable	<u><b>386</b></u>
11,853	<b>Net Cash flows from Operating Activities</b>	<b>17,908</b>
0	<b>Net Cash flows from Investing Activities</b>	<b>0</b>
	<b>Net Cash flows from Financing Activities:</b>	
<u>(532)</u>	- Interest receivable	<u><b>(386)</b></u>
11,321	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>17,522</b>
<u>(84,654)</u>	Cash and cash equivalents at the beginning of the reporting period	<u><b>(73,333)</b></u>
<u><u>(73,333)</u></u>	<b>Cash and Cash equivalents at the end of the reporting period</b>	<u><u><b>(55,811)</b></u></u>

## **Notes to the Accounts for the year ended 31 March 2018**

### **1 Significant Accounting Policies**

The following policies have been adopted in compiling the Financial Statements for 2017/18:-

#### **General**

The financial statements for the year ended 31 March 2018 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 is 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 2018**

### **1 Significant 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 Consortium'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 2018**

<b>2</b>	<u>Comprehensive Income and Expenditure Statement - Council Contributions</u>	<u>2016/17</u> £	<b><u>2017/18</u></b> £
	Aberdeen City Council	6,750	<b>6,750</b>
	Aberdeenshire Council	6,750	<b>0</b>
	Angus Council	6,750	<b>6,750</b>
	Dundee City Council	6,750	<b>6,750</b>
	Falkirk Council	6,750	<b>6,750</b>
	Fife Council	6,750	<b>6,750</b>
	Perth and Kinross Council	6,750	<b>6,750</b>
	Stirling Council	6,750	<b>6,750</b>
		54,000	<b>47,250</b>

<b>3</b>	<u>Comprehensive Income and Expenditure Statement – expenditure incurred by Angus Council</u>	<u>2016/17</u> £	<b><u>2017/18</u></b> £
	Angus Council as host authority made a charge to ESEC for support costs.	2,875	<b>3,052</b>
	Policy Officer – Angus Council payroll payment (including travel)	35,933	<b>36,991</b>
		38,808	<b>40,043</b>

<b>4</b>	<u>Comprehensive Income and Expenditure Statement - Disclosure of Audit Costs</u>	<u>2016/17</u> £	<b><u>2017/18</u></b> £
	Fee payable to Audit Scotland for external audit services	2,290	<b>4,460</b>
		2,290	<b>4,460</b>

**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 2018**

**6 Balance Sheet - Short Term Creditors**

	<u>2016/17</u>	<u>2017/18</u>
	£	£
Central Government Body	3,793	<b>6,123</b>
Angus Council – Local Authority	406	<b>282</b>
Other Entities and Individuals	1,375	<b>3,293</b>
	<hr/> 5,574	<hr/> <b>9,698</b>

**7 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.

**8 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.

**9 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 apart from Falkirk and is underpinned by an Officer Group. The issue of there being no elected member from Falkirk has been raised and will be pursued again. It is hoped that this will be resolved soon.

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.

As a result of changes in management structures the Council's financial management arrangements now comply in all material respects with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Head of Finance & Legal, as Chief Financial Officer for the Council, is line managed by the Strategic Director of Place but reports directly to the Chief Executive on all matters concerning his statutory role. The Head of Finance & Legal as the Council's most senior advisor on all financial matters is involved in the development of all strategic and financial policy matters and has direct access to all elected members. For the year under review, the Chief Financial Officer was able to fulfil the requirements of the role through the arrangements which existed.

This is the fifth 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 2018 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 fifth 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 2018/19.

### **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  
21 September 2018

Cllr Ben Lawrie  
Chair of ESEC  
21 September 2018

## **Independent auditor's report to the members of the 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, I 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**

I certify that I have audited the financial statements in the annual accounts of the East of Scotland European Consortium for the year ended 31 March 2018 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 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its income and expenditure 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 2017/18 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 for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Conclusions relating to going concern basis of accounting**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Treasurer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Responsibilities of the Treasurer and Policy Board 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.

In preparing the financial statements, the Treasurer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Policy Board is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **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 my auditor's report thereon. My opinion on the financial statements does not cover the other information and I 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 my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In my 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 I am required to report by exception**

I am required by the Accounts Commission 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
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

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xx September 2018

## **East of Scotland European Consortium**

### **GLOSSARY**

<b>CIPFA</b>	Chartered Institute of Public Finance & Accountancy
<b>COSLA</b>	Convention of Scottish Local Authorities
<b>ERDF</b>	European Regional Development Fund
<b>ESF</b>	European Social Fund
<b>ERASMUS</b>	EU Programme for Education, Training, Youth and Sport
<b>EU</b>	European Union
<b>INTERREG</b>	European Territorial Cooperation
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee
<b>SOLACE</b>	Society of Local Authority Chief Executives
<b>UKSPF</b>	UK Shared Prosperity Fund