

West of Scotland European Forum

2020/21 Annual Audit Report



 AUDIT SCOTLAND

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

March 2022

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Key messages

2020/21 annual report and accounts

- 1** West of Scotland European Forum's (WoSEF's) financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** The management commentary and annual governance statement are consistent with the financial statements and properly prepared in accordance with the applicable requirements.
- 3** We received the unaudited annual accounts on 25 June 2021 in line with our agreed audit timetable. In light of the working restrictions arising from the COVID-19 pandemic combined with the need to maintain the quality of our audit in a remote working environment, we agreed, with senior management of WoSEF, to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and reprofile the delivery of our audit to December 2021.

Financial sustainability

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

Introduction

1. This report summarises the findings from our 2020/21 audit of West of Scotland European Forum (WoSEF).
2. The scope of our audit was set out in our Annual Audit Plan circulated to Forum members on 30 April 2021. This report comprises the findings from:
 - an audit of WoSEF's annual accounts
 - our consideration of financial sustainability and appropriateness of the annual governance statement of WoSEF.

Adding value through the audit

3. We add value to WoSEF through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix2](#)) and good practice guides
 - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
4. We aim to help WoSEF promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. WoSEF has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. WoSEF is also responsible for compliance with legislation and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice (2016) and supplementary guidance and International Standards on Auditing in the UK. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on WoSEF's Best Value arrangements is focused on the body's use of resources to secure financial sustainability.
7. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on the appropriateness and

effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

8. The Code of Audit Practice 2016 (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the annual governance statement and the financial sustainability of the body and its services. As highlighted in our 2020/21 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2020/21 audit.

9. This report raises matters from our audit. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

10. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £2,060 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

1. Audit of 2020/21 annual accounts

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

Main judgements

West of Scotland European Forum's (WoSEF's) financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

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

We received the unaudited annual accounts on 25 June 2021 in line with our agreed audit timetable. In light of the working restrictions arising from the COVID-19 pandemic combined with the need to maintain the quality of our audit in a remote working environment, we agreed, with senior management of WoSEF, to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and reprofile the delivery of our audit work to December 2021.

Our audit opinions on the annual accounts are unmodified

12. The annual accounts for the year ended 31 March 2021 were approved by the Forum on 8 March 2022. As reported in the independent auditor's report:

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

The COVID-19 pandemic had no impact on audit evidence

13. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

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

14. The unaudited annual report and accounts were received in line with our agreed audit timetable on 25 June 2021. In light of the working restrictions arising from the COVID-19 pandemic combined with the need to maintain the quality of our audit in a remote working environment, we agreed, with senior management of WoSEF, to take advantage of the flexibilities conferred under the Coronavirus (Scotland) Act 2020 and reprofile the delivery of our audit work to December 2021.

Overall materiality is £800

15. We apply the concept of materiality in both planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

16. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the financial statements. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

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

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£800
Performance materiality	£600
Reporting threshold	£40

Source: Annual Audit Plan 2020/21

Appendix 1 identifies the main risks of material misstatement and our audit work to address these

18. [Appendix 1](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence

our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. The appendix also identifies the work we undertook to address these risks and our conclusions from this work.

We have no significant findings to report on the accounts

19. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have no issues to report from the audit.

There were no identified misstatements

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

2. Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

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

Financial performance in 2020/21 and financial planning

21. WoSEF is funded by contributions received from the local authorities and other organisations which are members of the Forum. The main financial objective of WoSEF is to ensure that the financial outturn for the year is within the agreed budget. Gross expenditure in the year was £41,463, resulting in an underspend of £2,537 against budgeted expenditure.

22. Gross income for the year was £41,798, resulting in a net income from services of £335. After accounting for interest income, WoSEF incurred a surplus of £585, which was transferred to the Forum's useable reserves. The balance on useable reserves for the year ended 31 March 2021 was £42,020 and equates to roughly one year's budgeted expenditure.

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

EU withdrawal

24. The terms of the UK's withdrawal from the European Union (EU) and the implications this may have for the future role of WoSEF remains uncertain. Following the formal departure of the UK from the EU in January 2020, the transition phase to December 2020 provided some continuity in arrangements for delivering existing EU funding programmes. However, there has been limited progress by the UK government in setting out arrangements for the UK Shared Prosperity Fund, which limits the Forum's ability to work with other agencies on supporting the development of relevant policies.

25. In March 2021 the UK Government announced the establishment of a UK Community Renewal Fund for 2021/22 as transitional step between EU Structural Funds and the UK Shared Prosperity Fund which is intended to be in place for 2022/23. The development and implementation of both these funds will continue to be a priority issue for the Forum in 2022.

26. We are satisfied that the Forum is aware of the potential risks associated with the UK's withdrawal from the EU and is planning as well as possible, given the uncertainty at this time. We will continue to monitor the Forum's response

to the negotiated relationship with the EU as the position is clarified at a national level over the coming period.

National performance audit reports

27. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland.

[Appendix 2](#) highlights a number of the reports published in 2020/21.

Appendix 1

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1 Management override of controls</p> <p>ISA 240 requires that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Our work did not identify any issues or material errors that required adjustments within the financial statements.</p> <p>There is no evidence of management override of controls from work performed.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>2 Future direction of WoSEF</p> <p>Uncertainty continues to exist around the future direction of WoSEF now that the UK has left the EU. The formation of a meaningful forward-looking work plan remains challenging.</p> <p>There is a risk that WoSEF does not have a clear strategic plan in place for future years.</p>	<p>Review of reports to Joint Committee.</p> <p>Ongoing dialogue with officers.</p> <p>Review of related disclosures.</p> <p>Comment and, where appropriate, recommendations in 2020/21 Annual Audit Report.</p>	<p>Consideration was given to the future direction of WoSEF during the Forum's meeting in March 2021. In view of the continuing uncertainties in the aftermath of the UK's exit from the EU, it has been agreed that the approved 2021/22 workplan will continue to be delivered and arrangements will be put in place for the incoming local authorities, to be elected in</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>May 2022, to make the decision as to whether to continue the Forum.</p> <p>From the work we have carried out, we are satisfied that the Forum has continually considered the best options for the future of WoSEF. We will consider this issue further as part of our 2021/22 audit, when the future direction of WoSEF becomes clearer following the May 2022 elections.</p> <p>Officers are aware of the potential risks and are planning accordingly given the uncertainty. We will consider ongoing action taken by the Forum as part of our 2021/22 audit.</p>

Appendix 2

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

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