



*EAST OF  
SCOTLAND  
EUROPEAN  
CONSORTIUM*

**AUDITED  
ANNUAL ACCOUNTS  
2018/2019**

**SEPTEMBER 2019**

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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 2018/2019 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 Dundee City Council with the hosting transferring during the year from 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 2018/2019**

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 2018/2019 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 2018/2019 ("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 the Chair or to any of the other councillors who are appointed members of the Consortium.

### **Annual Governance Statement**

This statement provides assurance in relation to ESEC's governance, risk management and systems of internal financial control.

## **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 2018/2019**

### **Financial Performance**

The seven authorities who formed the membership of ESEC in 2018/2019 each contributed a sum of £6,750 to the costs of operating the Consortium. This gave a total subscription for the 2018/2019 financial year of £47,250 (2017/2018 = £47,250).

The highest area of expenditure was on staff costs for the EU Policy Officer post. Other significant areas of expenditure in 2018/2019 included £7,098 membership fees for Scotland Europa and £3,730 for travel and subsistence costs.

The net position for the 2018/2019 financial year shows a £12,789 deficit (2017/2018 = £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 2017/2018 resulting in total usable reserves of £33,324 which have been carried forward to the 2019/2020 financial year. This is shown in the Movement in Reserves Statement on page 11. ESEC has no unusable reserves.

The actual deficit for the year was less than the budgeted deficit of £15,537 largely due to expenditure on travel and subsistence being less than anticipated, partially offset by an overspend in staff pension costs.

### **Assets and Liabilities**

The Balance Sheet on page 13 sets out ESEC's assets and liabilities at 31 March 2019, and explanatory notes are provided on pages 15 – 18. The total net assets have reduced by £12,789 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 on pages 15 and 16 of the accounts is to explain the basis of the figures in the accounts and to outline the accounting policies adopted in compiling the 2018/2019 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 2018/2019 was particularly busy due to the requirement to respond to the challenges arising from the outcome of the EU referendum and the lead up to the original scheduled date for exiting the EU of 29 March 2019. This resulted in a 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 2019/2020 is a deficit of £12,099. Based on this position, the reserves will last less than 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. The risk is compounded by the fact that the Consortium is reliant on subscriptions from its members. The Consortium has therefore agreed to increase the subscription from members from £6,750 to £7,000 for 2019/2020. 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 <http://www.esec.org.uk/>

## **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.



Gregory Colgan, BAcc (Hons), ACMA, CGMA  
ESEC Treasurer  
17 September 2019



Joanne Scobie  
ESEC Policy Officer  
17 September 2019





## Chairman's Report 2018/2019

Dundee City Council were delighted to welcome the ESEC secretariat to their City Development Service in November 2018. This followed a period in which Angus Council had hosted the Secretariat for an extended period of time. This extension allowed an extra layer of support and stability during what can only be described as very uncertain times in the run up to and after the EU referendum. With this in mind, I would like to offer my sincere thanks to those at Angus Council who supported ESEC and for their stewardship over the years.

The date for exiting the European Union had originally been 29 March 2019 as this would have concluded the two-year Article 50 process. This has now been extended until 31 October 2019, but at the time of writing, we do not know if we will still be members on that date or if we will have requested a further extension.

When first confronted with 29 March as the date of exit, our Policy Board recognised that ESEC would continue to serve as a vehicle for EU engagement. Indeed, I envisage ESEC becoming even more of a necessity as we potentially withdraw from the formal institutions of the EU.

We conducted a scoping exercise this year in order to pin down just how much external funding ESEC has played a role in securing over the last few years and it amounts to circa £3,500,000. This has been a testament to the commitment of officers within both the secretariat and member councils in securing the maximum benefits of EU membership for the communities we serve. Personally, I do not think that this is the full figure however when we break it down, the projects delivered are – seven WiFi4EU vouchers, four Interreg projects, an Erasmus+ project, and a European Regional Development Fund award for energy regeneration from waste water. We have collated some of these projects, and others, into a [case study booklet](#) which highlights the quality and diversity of EU-funded projects across our region.

Whilst we remain members of the EU, these opportunities remain open to us, and we will continue to apply for projects which will bring benefits to our communities. However, there is less certainty over which funding programmes may remain open to us once we are no longer members. For example, there has been precious little said at the top tiers of government on the Interreg programme, which supports European Territorial Cooperation. Scottish organisations, including local authorities, have been hugely successful in securing investment in this programme. Since 2014, there have been more than 120 projects approved in Scotland, worth almost €65 million. Five of our member councils have had Interreg projects approved which confirms the value of Interreg for local authorities. However, anyone who has ever had any experience with such transnational projects will emphasise the same thing; this is not about the finance but about the exchanging of ideas and the opportunity for learning from European counterparts, and vice-versa. Such relationships have been carefully nurtured over the years, and to lose access to Interreg would not only be detrimental to UK organisations, but also to our friends and colleagues in Europe.



As well as striving to keep the doors open to continued European partnerships, a large area of our activity this year has been domestic – lobbying on the UK Shared Prosperity Fund (SPF), to be precise. The Conservative Party announced in May 2017 that it would create a SPF to replace the plethora of EU Structural Funds. We know that it will invest in the five foundations of productivity, as set out in the UK Government's Industrial Strategy. Those foundations are; ideas, people, infrastructure, place and business environment. However, apart from that, very little is known.

We are still in the dark regarding how much will be made available; how it will be divided up across the UK; what activities will be eligible for support; and who will take the decisions on how the money is spent.

A consultation which was promised by the end of 2018 never materialised and we have genuine concerns that the UK government will not have left enough time to create a scheme that could have a lot of potential. As I write this, the Government has advised that it aims to announce the final details of the fund at the autumn statement, however if they do not conduct a thorough consultation, there is no chance of it incorporating the expertise and recommendations of those who deal with the current process. A real opportunity will be missed and we may end up with a fund which will ultimately be neither innovative, effective or suit the needs of the diverse communities across Scotland and the UK.

Looking back at the Chairman's report of 2018, I am astounded at how little we have actually progressed in terms of all things Brexit. We do not know what our future relationship with the EU will look like. We do not know if we will have access to programmes like Erasmus+ and Interreg, and we are no further forward regarding future funding. I can only hope that when it is time to write this report in 2020, these issues will be well on their way to being resolved. But... I have my doubts!

To conclude, I would like to offer my thanks to my fellow ESEC board members and I look forward to continuing the successful collaboration that has served so well in these uncertain times. Thanks must also go out to the officers across our member councils, who have had to incorporate Brexit preparedness into their already packed workloads. I predict that 2019/2020 will prove no less challenging and our strength and resilience will be a result of our continued collaboration.



Cllr Will Dawson  
ESEC Chair  
17 September 2019

## **MEMBERS AND OFFICIALS**

### **CHAIR**

Councillor Will Dawson – Dundee City Council

### **VICE CHAIRS**

Councillor John Reynolds – Aberdeen City Council

Councillor Scott Farmer – Stirling Council

### **TREASURER**

Gregory Colgan, Executive Director of Corporate Services – Dundee City Council

### **Appointed Members:-**

Councillor John Reynolds – Aberdeen City Council

Councillor Ben Lawrie – Angus Council

Councillor Will Dawson – Dundee City Council

Councillor Dennis Goldie – 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 Dundee City Council is the host authority for the 2018/2019 financial year this post is held by Gregory Colgan, Executive Director of Corporate Services, Dundee City 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 Will Dawson  
Chair of ESEC  
17 September 2019

### **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 2019.



Gregory Colgan, BAcc (Hons), ACMA, CGMA  
ESEC Treasurer  
17 September 2019



**Movement in Reserves Statement**

	<b>Total Usable Reserves of the Organisation £</b>
<b>Balance as at 31 March 2017</b>	(67,759)
<b>Movement in reserves during the year</b>	
(Surplus) or deficit on provision of services	21,646
Other Comprehensive Expenditure/(Income)	0
<b>Total Comprehensive Expenditure</b>	<u>21,646</u>
Adjustments between accounting & funding basis under regulations	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<u>21,646</u>
Transfers to/from Earmarked Reserves	0
<b>(Increase)/Decrease in Year</b>	<u>21,646</u>
<b>Balance as at 31 March 2018 carried forward</b>	<u>(46,113)</u>
<b>Movement in reserves during the year</b>	
(Surplus) or deficit on provision of services	<b>12,789</b>
Other Comprehensive Expenditure/(Income)	<b>0</b>
<b>Total Comprehensive Expenditure</b>	<u><b>12,789</b></u>
Adjustments between accounting & funding basis under regulations	<b>0</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<u><b>12,789</b></u>
Transfers to/from Earmarked Reserves	<b>0</b>
<b>(Increase)/Decrease in Year</b>	<u><b>12,789</b></u>
<b>Balance as at 31 March 2019 carried forward</b>	<u><b>(33,324)</b></u>

**Comprehensive Income and Expenditure Statement**

2017/18				2018/19			
Gross Expenditure £	Gross Income £	Net Expenditure £		Budgeted Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
36,821	0	36,821	Staff costs	38,027	<b>42,782</b>	0	<b>42,782</b>
10,458	0	10,458	Transport costs	3,100	<b>3,730</b>	0	<b>3,730</b>
14,491	0	14,491	Supplies & Services	14,300	<b>8,638</b>	0	<b>8,638</b>
7,512	0	7,512	Third party payments	7,560	<b>5,456</b>	0	<b>5,456</b>
0	(47,250)	(47,250)	Subscription income <b>(Note 2)</b>	(47,250)	0	<b>(47,250)</b>	<b>(47,250)</b>
0	0	0	Other income	0	0	0	0
<b>69,282</b>	<b>(47,250)</b>	<b>22,032</b>	<b>Cost Of Services</b>	<b>15,737</b>	<b>60,606</b>	<b>(47,250)</b>	<b>13,356</b>
	(386)	(386)	Financing and investment Income & Expenditure	(200)		<b>(567)</b>	<b>(567)</b>
		21,646	<b>(Surplus) or Deficit on Provision of Services</b>	15,537			<b>12,789</b>
		0	<b>Other Comprehensive Expenditure / (Income)</b>	0			<b>0</b>
		<b>21,646</b>	<b>Total Comprehensive Expenditure / (Income)</b>	<b>15,537</b>			<b>12,789</b>



**Balance Sheet**

31/03/2018 £	Notes	31/03/2019 £
<b>Current Assets</b>		
0	6	529
55,811		46,926
<u>55,811</u>	<b>Total Current Assets</b>	<u>47,455</u>
(9,698)	7	(14,131)
<u>(9,698)</u>	<b>Total Current Liabilities</b>	<u>(14,131)</u>
<u>46,113</u>	<b>Net Assets</b>	<u>33,324</u>
(46,113)	5	(33,324)
<u>(46,113)</u>	<b>Total Reserves</b>	<u>(33,324)</u>

The unaudited accounts were issued for audit on 28 June 2019 and the audited accounts were authorised for issue by the Treasurer on 17 September 2019.



Gregory Colgan, BAcc (Hons), ACMA, CGMA  
ESEC Treasurer  
17 September 2019

**Cash Flow Statement**

2017/18 £		2018/19 £
21,646	<b>Net (surplus) or deficit on the provision of services</b>	12,789
	Adjustment to surplus or deficit on the provision of services for non cash movements:	
(4,124)	- (Increase) / decrease in creditors	(4,433)
0	- Increase / (Decrease) in debtors	529
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
<u>386</u>	- Interest receivable	<u>567</u>
17,908	<b>Net Cash flows from Operating Activities</b>	9,452
0	<b>Net Cash flows from Investing Activities</b>	0
	<b>Net Cash flows from Financing Activities:</b>	
<u>(386)</u>	- Interest receivable	<u>(567)</u>
17,522	<b>Net (increase) or decrease in cash and cash equivalents</b>	8,885
<u>(73,333)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(55,811)</u>
<u>(55,811)</u>	<b>Cash and Cash equivalents at the end of the reporting period</b>	<u>(46,926)</u>



## **Notes to the Accounts**

### **1 Significant Accounting Policies**

The following policies have been adopted in compiling the Financial Statements for 2018/2019:-

#### **General**

The financial statements for the year ended 31 March 2019 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 (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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 debts may not 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 comprise short-term lending that is repayable on demand or within three months of the balance sheet date and is readily convertible to known amounts of cash with insignificant risk of change in value.

#### **Events after the Reporting Period**

Events after the Balance Sheet date 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**

### **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 Dundee City Council so all vatable transactions relating to ESEC are recovered by the Council.

#### **Changes in Accounting Policies and Estimates and Prior Period Errors**

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**

<b>2</b>	<u>Comprehensive Income and Expenditure Statement - Council Contributions</u>	<u>2017/18</u>	<u>2018/19</u>
		<u>£</u>	<u>£</u>
	Aberdeen City Council	6,750	<b>6,750</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>
		<hr/> 47,250	<hr/> <b>47,250</b>

<b>3</b>	<u>Comprehensive Income and Expenditure Statement – expenditure incurred by Dundee City Council &amp; Angus Council</u>	<u>2017/18</u>	<u>2018/19</u>
		<u>£</u>	<u>£</u>
	Dundee City Council as host authority made a charge to ESEC for support costs (from 1 November 2018).	0	<b>1,316</b>
	Policy Officer – Dundee City Council payroll payment	0	<b>19,393</b>
	Angus Council as host authority made a charge to ESEC for support costs (up to 31 October 2018).	3,052	<b>1,750</b>
	Policy Officer – Angus Council payroll payment	36,991	<b>22,299</b>
		<hr/> 40,043	<hr/> <b>44,758</b>

<b>4</b>	<u>Comprehensive Income and Expenditure Statement - Disclosure of Audit Costs</u>	<u>2017/18</u>	<u>2018/19</u>
		<u>£</u>	<u>£</u>
	Fee payable to Audit Scotland for external audit services	4,460	<b>2,800</b>
		<hr/> 4,460	<hr/> <b>2,800</b>

**5** Balance Sheet - Reserves  
Movements in ESEC's usable reserves are detailed in the Movement in Reserves Statement.

<b>6</b>	<u>Balance Sheet – Short Term Debtors</u>	<u>2017/18</u>	<u>2018/19</u>
		<u>£</u>	<u>£</u>
	Local Authority	0	<b>529</b>
		<hr/> 0	<hr/> <b>529</b>

**Notes to the Accounts**

**7** Balance Sheet - Short Term Creditors

	<u>2017/18</u>	<u>2018/19</u>
	<u>£</u>	<u>£</u>
Central Government Body	6,123	<b>3,876</b>
Local Authority	282	<b>1,486</b>
Other Entities and Individuals	3,293	<b>8,769</b>
	<hr/> 9,698	<hr/> <b>14,131</b> <hr/>

**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 Dundee City Council and the resulting net pension liability is included in the Balance Sheet of Dundee City 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 Dundee City Council and 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, Dundee City Council.

As a result of changes in management structures, Dundee City 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 Executive Director of Corporate Services, as Chief Financial Officer for the Council reports directly to the Chief Executive on all matters concerning his statutory role. The Executive Director of Corporate Services, 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.

### **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 and 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 Dundee City 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.

For the period before 1st November 2018, when the hosting of ESEC transferred to Dundee City Council, Angus Council's Service Leader - Internal Audit confirmed that ESEC operated under the same systems as Angus Council and therefore the conclusions in the Angus Council annual internal audit report for 2018/2019 would generally apply to ESEC.

Angus Council's 2018/2019 Annual Internal Audit Report, presented to the Council's Scrutiny and Audit Committee on 18 June 2019, concluded that the Council has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money.

From 1 November 2018, the Consortium uses the systems of the host council, i.e. Dundee City Council, for processing all financial transactions. These systems are subject to regular review and monitoring by Dundee City Council internal and external auditors.

During the year to 31 March 2019 no specific reviews or investigations for ESEC were carried out by either internal or external auditors. Dundee City Council's Senior Audit Manager – Internal Audit has provided an annual assurance statement to the Consortium's Policy Board which notes that "it is considered reasonable to conclude that the operational governance, risk management and control framework in place for ESEC is that of Dundee City Council's and therefore the assurances provided to Dundee City Council for 2018/2019 can be mapped to ESEC for the purposes of informing its Annual Governance Statement."



Dundee City Council's 2018/2019 Annual Internal Audit Report, presented to the Council's Scrutiny Committee on 26 June 2019, concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2019.

On this basis we have concluded that there were no significant governance weaknesses which would impact on ESEC's governance arrangements and 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 sixth 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.

### **Continuous Improvement Agenda**

The Consortium's progress against the Continuous Improvement Agenda items for 2018/2019 are as follows:

- The vacant member's position to represent Falkirk Council was resolved during the year; and
- External Audit's recommendation to develop a three year budget was fulfilled. This medium-term budget was presented and agreed at the Policy Board meeting on 10 May 2019.

The only improvement item identified for 2019/2020 is:

- To review the options for ensuring the longer term sustainability of the Consortium including the possibility of changing the Consortium's structure.

### **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.



Gregory Colgan, BAcc (Hons), ACMA, CGMA  
ESEC Treasurer  
17 September 2019



Cllr Will Dawson  
Chair of ESEC  
17 September 2019



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

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 2019 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the body as at 31 March 2019 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 2018/19 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)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. 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 was appointed under arrangements approved by the Accounts Commission on 7 January 2019. The period of total uninterrupted appointment is 2 years. 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. Non-audit services prohibited by the Ethical Standard were not provided to the body. 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.



### **Risks of material misstatement**

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

### **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 obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

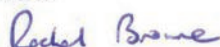
I have nothing to report in respect of these matters.

##### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

#### Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Rachel Browne CPFA  
Senior Audit Manager  
Audit Scotland  
4<sup>th</sup> Floor  
102 West Port  
Edinburgh  
EH3 9DN

17 September 2019



## **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>ESEC</b>	East of Scotland European Consortium
<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