



*EAST OF
SCOTLAND
EUROPEAN
CONSORTIUM*

**AUDITED
ANNUAL ACCOUNTS
2019/2020**

NOVEMBER 2020

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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 2019/2020 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.

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 2019/2020

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 2019/2020 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 2019/2020 ("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 framework, which includes 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 2019/2020

Financial Performance

The seven authorities who formed the membership of ESEC in 2019/2020 each contributed a sum of £7,000 to the costs of operating the Consortium. This gave a total subscription for the 2019/2020 financial year of £49,000 (2018/2019 = £47,250, being £6,750 per member organisation).

The highest area of expenditure was on staff costs for the EU Policy Officer post of £46,373. Other significant areas of expenditure in 2019/2020 included £3,254 management fee from the host authority and £2,860 for external auditor's fee.

The net position for the 2019/2020 financial year shows a £4,226 deficit (2018/2019 = £12,789 deficit) as detailed in the Comprehensive Income and Expenditure Statement on page 12. This sum has been deducted from the balance carried forward from 2018/2019 resulting in total usable reserves of £28,815 which have been carried forward to the 2020/2021 financial year. This is shown in the Movement in Reserves Statement on page 11. ESEC has unusable reserves of £283.

The actual deficit for the year was less than the budgeted deficit of £10,349 largely due to expenditure on accommodation, travel and subsistence within Transport Costs being less than anticipated.

Assets and Liabilities

The Balance Sheet on page 13 sets out ESEC's assets and liabilities at 31 March 2020, and explanatory notes are provided on pages 15 – 18. The total net assets have reduced by £4,226 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 2019/2020 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 2019/2020 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 revised date for exiting the EU of 31 January 2020. This resulted in a deficit in the budget position with the Consortium having to draw on its reserves, however this deficit was less than that originally expected.

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 and transitional period.

Financial Outlook

The budgeted position for 2020/2021 is a deficit of £10,496. 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 previously agreed to increase the subscription from members from £6,750 to £7,000 from 2019/2020.

A report outlining the various options for the future structure of ESEC was presented and discussed at the Board meeting in September 2019. This was to be developed further at the March 2020 Board meeting but this was postponed due to the coronavirus pandemic and will therefore be discussed at the next Board meeting.

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. At present there are no associate members.

Plans for the Future

Please see the chairman's report on page 6.

5. Where to Find More Information

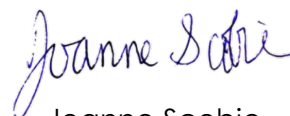
Further information about ESEC can be obtained at <http://www.esec.org.uk/>

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
26 November 2020



Joanne Scobie
ESEC Policy Officer
26 November 2020



Chairman's Report 2019/2020

Dundee City Council has now hosted the ESEC secretariat within its City Development Service for more than a year now. We could never have predicted back at the start of this relationship in November 2018 the challenges our communities would be facing in the early months of 2020.

When I wrote this report last year, we were expecting to exit the EU on 31 October 2019, with the prime minister pledging he would rather “die in a ditch” than request an extension, but as we all know, this was moved to 31 January 2020, and we did indeed end our forty-seven year membership on this date. While the extensions to our departure date proved very useful in avoiding a cliff-edge No Deal exit, which would have been extremely damaging to our local economies, it has savagely eaten into the transition period, which had originally been two years long. As of January 2020, this was pruned back to just eleven months. At the time of writing, there has still been no significant progress in the Brexit negotiations and the UK Government had until the end of June 2020 to formally request an extension to the transition period. This deadline passed with no request to extend the transition period.

Last year we conducted a scoping exercise in order to pin down just how much external funding ESEC has played a role in securing over since 2014, which amounted to circa £3,500,000. This was via WiFi4EU vouchers for each of our member councils, four Interreg projects, an Erasmus+ project, and a European Regional Development Fund award for energy regeneration from waste water. The following year brought further financial success, as we raised awareness among local government colleagues of the possibility of funding from the Scottish Government to support No Deal Brexit preparations. Following this collective pressure, and further negotiation by COSLA, the Scottish Government allocated £50,000 to each of Scotland's thirty-two councils. We also played a central role in having the first – and to date the only – European Solidarity Corps ‘solidarity’ project being approved, with €8,000 being awarded to a local youth project in Stirling.

It would appear that the UK Government will not seek access to the family of European Transnational Cooperation programmes as a 3rd country, and it will only seek access to some elements of the Erasmus+ programme. It will not endeavour to negotiate access to the European Solidarity Corps. This is bleak news indeed, and not just in terms of the grant funding that local authorities are awarded via these programmes. Anyone who has ever had any experience with EU 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. However, all is not lost, as the Scottish Government has said it will seek a solution for Scottish participation to these key programmes, if the UK Government cannot or will not. We have made the case to the Scottish Government of the value to our communities of these funds, and full access should be sought, not just some elements.

As well as striving to keep the doors open to continued European partnerships, a large area of our activity this year has been domestic. The uncertainty around Brexit is being

felt acutely by our rural member councils. In February 2020, we wrote to the Scottish Government in relation to the ongoing and regrettable uncertainty regarding the LEADER programme. The Scottish Government has adopted the 'Stability and Simplicity' principle for the CAP programme, in order to give Scottish farmers a period of 2-3 years to continue in much the same manner as now, in terms of financial support. We called on the Cabinet Secretary to offer the same assurances to other stakeholders in the rural economy, which include communities, businesses and staff engaged in the LEADER programme. At the time of writing this report, there has been no information on what will replace LEADER from 2021. If we cannot provide assurances on the successor programme, and soon, then I am afraid we are going to lose a lot of very knowledgeable staff, and what we are able to deliver will suffer as a result.

We also continued to lobby on the UK Shared Prosperity Fund (SPF). The Conservative Party announced in May 2017 that it would create a SPF to replace EU Structural Funds. The consultation that was promised at the end of 2018 never materialised and looks to have been shelved completely. The SPF needs to be ready to take over from EU Structural Funds from early 2021, yet 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. By choosing not to launch a formal consultation, the UK Government will have lost a real opportunity to engage with very-experienced EU funding officers, and I fear 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 reports of 2017, 2018, and 2019, I am astonished at where we are – well into 2020 - in terms of all things Brexit. We still do not know what our future relationship with the EU will look like. Our future participation in programmes like Erasmus+ and Interreg is in serious jeopardy, and we are no further forward regarding the UK Shared Prosperity Fund. In last year's report I wrote "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!" Regrettably yet predictably, it turns out I was right.

As I do every year, I would like to offer thanks to my fellow ESEC board members for the successful collaboration that has served so well in these uncertain times. I would also like to offer a great deal of gratitude to the officers across our member councils, who have now had coronavirus mitigation measures added to their packed workloads, on top of Brexit preparations. As we deal with the challenge of the Covid-19 crisis, and must once more contemplate the possibility of no deal with the EU at the end of the year, 2020/2021 is proving to be more challenging than years gone by, and our strength and resilience will be a result of our continued collaboration.



Cllr Will Dawson
ESEC Chair
26 November 2020

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 2019/2020 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
26 November 2020

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 2020.



Gregory Colgan, BAcc (Hons), ACMA, CGMA
ESEC Treasurer
26 November 2020

Movement in Reserves Statement

	Total Usable Reserves £	Total Unusable Reserves £	Total Reserves £
Balance as at 31 March 2018	(46,113)	0	(46,113)
Movement in reserves during the year			
(Surplus) or deficit on provision of services	12,789	0	12,789
Other Comprehensive Expenditure/(Income)	0	0	0
Total Comprehensive Expenditure	12,789	0	12,789
Adjustments between accounting & funding basis under regulations	0	0	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	12,789	0	12,789
Transfers to/from Earmarked Reserves	0	0	0
(Increase)/Decrease in Year	12,789	0	12,789
Balance as at 31 March 2019 carried forward	(33,324)	0	(33,324)
Movement in reserves during the year			
(Surplus) or deficit on provision of services	4,226	0	4,226
Other Comprehensive Expenditure/(Income)	0	0	0
Total Comprehensive Expenditure	4,226	0	4,226
Adjustments between accounting & funding basis under regulations	283	(283)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	4,509	(283)	4,226
Transfers to/from Earmarked Reserves	0	0	0
(Increase)/Decrease in Year	4,509	(283)	4,226
Balance as at 31 March 2020 carried forward	(28,815)	(283)	(29,098)

Comprehensive Income and Expenditure Statement

2018/2019				2019/2020			
Gross Expenditure £	Gross Income £	Net Expenditure £		Budgeted Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £
42,782	0	42,782	Staff costs	48,328	46,373	0	46,373
3,730	0	3,730	Transport costs	4,220	1,391	0	1,391
8,638	0	8,638	Supplies & Services	1,100	122	0	122
5,456	0	5,456	Third party payments	6,081	6,114	0	6,114
0	(47,250)	(47,250)	Subscription income (Note 2)	(49,000)	0	(49,000)	(49,000)
0	0	0	Other income	0	0	0	0
<u>60,606</u>	<u>(47,250)</u>	<u>13,356</u>	Cost of Services	<u>10,729</u>	<u>54,000</u>	<u>(49,000)</u>	<u>5,000</u>
	(567)	(567)	Financing and investment Income & Expenditure	(380)		(327)	(327)
	<u>0</u>	<u>0</u>	Non-Specific Grant Income	<u>0</u>		<u>(447)</u>	<u>(447)</u>
		<u>12,789</u>	(Surplus) or Deficit on Provision of Services	<u>10,349</u>			<u>4,226</u>
		<u>12,789</u>	Total Comprehensive Expenditure / (Income)	<u>10,349</u>			<u>4,226</u>

Balance Sheet

31/03/2019		Notes	31/03/2020
£			£
	Current Assets		
529	Debtors	6	295
	Cash and Cash Equivalents – Short Term Deposit with Angus Council / Dundee City Council		
<u>46,926</u>	Loans Fund		<u>31,981</u>
<u>47,455</u>	Total Current Assets		<u>32,276</u>
(14,131)	Short Term Creditors	7	(3,178)
<u>(14,131)</u>	Total Current Liabilities		<u>(3,178)</u>
<u>33,324</u>	Net Assets		<u>29,098</u>
(33,324)	Usable Reserves	5	(28,815)
<u>0</u>	Unusable Reserves	5	<u>(283)</u>
<u>(33,324)</u>	Total Reserves		<u>(29,098)</u>

The unaudited accounts were authorised for issue on 30 June 2020 and the audited accounts were authorised for issue on 26 November 2020.



Gregory Colgan, BAcc (Hons), ACMA, CGMA
ESEC Treasurer
26 November 2020

Cash Flow Statement

2018/2019		2019/2020
£		£
12,789	Net (surplus) or deficit on the provision of services	4,226
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
(4,433)	- (Increase) / decrease in creditors	10,953
529	- Increase / (Decrease) in debtors	(234)
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
<u>567</u>	- Interest receivable	<u>327</u>
9,452	Net Cash flows from Operating Activities	15,272
0	Net Cash flows from Investing Activities	0
	Net Cash flows from Financing Activities:	
<u>(567)</u>	- Interest receivable	<u>(327)</u>
8,885	Net (increase) or decrease in cash and cash equivalents	14,945
<u>(55,811)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(46,925)</u>
<u><u>(46,926)</u></u>	Cash and Cash equivalents at the end of the reporting period	<u><u>(31,981)</u></u>

Notes to the Accounts

1 Significant Accounting Policies

The following policies have been adopted in compiling the Financial Statements for 2019/2020:-

General

The financial statements for the year ended 31 March 2020 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020 (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 vatatable 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

2	<u>Comprehensive Income and Expenditure Statement - Council Contributions</u>	2018/19	2019/20
		£	£
	Aberdeen City Council	6,750	7,000
	Angus Council	6,750	7,000
	Dundee City Council	6,750	7,000
	Falkirk Council	6,750	7,000
	Fife Council	6,750	7,000
	Perth and Kinross Council	6,750	7,000
	Stirling Council	6,750	7,000
		47,250	49,000
3	<u>Comprehensive Income and Expenditure Statement – expenditure incurred by Dundee City Council & Angus Council</u>	2018/19	2019/20
		£	£
	Dundee City Council as host authority made a charge to ESEC for support costs (from 1 November 2018).	1,316	3,254
	Policy Officer – Dundee City Council payroll payment	19,393	46,373
	Angus Council as host authority made a charge to ESEC for support costs (up to 31 October 2018).	1,750	0
	Policy Officer – Angus Council payroll payment	22,299	0
		44,758	49,627
4	<u>Comprehensive Income and Expenditure Statement - Disclosure of Audit Costs</u>	2018/19	2019/20
		£	£
	Fee payable to Audit Scotland for external audit services	2,800	2,860
		2,800	2,860
5	<u>Balance Sheet - Reserves</u> Movements in ESEC's usable and unusable reserves are detailed in the Movement in Reserves Statement.		
6	<u>Balance Sheet – Short Term Debtors</u>	2018/19	2019/20
		£	£
	Local Authority	529	295
		529	295

Notes to the Accounts

7 Balance Sheet - Short Term Creditors

	<u>2018/19</u>	<u>2019/20</u>
	<u>£</u>	<u>£</u>
Central Government Body	3,876	3,178
Local Authority	1,486	0
Other Entities and Individuals	8,769	0
	<hr/> 14,131	<hr/> 3,178 <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 framework 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 authority's financial regulations.
- The Consortium works with other Scottish local government consortia and CoSLA on relevant issues.

Review of Effectiveness

Within the Consortium's overall governance framework specific arrangements are in place as part of risk management and the system of internal financial control. These arrangements are 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.

Within the overall governance arrangements 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.

Since 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 2020 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 for 2019/2020 is that of Dundee City Council's and therefore the assurances provided to Dundee City Council for the same period can be mapped to ESEC for the purposes of informing its Annual Governance Statement."

Dundee City Council's 2019/2020 Annual Internal Audit Report, presented to the Council's Scrutiny Committee on 24 June 2020, concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2020.

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 governance framework, risk management and internal control.

Review of Framework

This is the seventh 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 2019/2020 are as follows:

- A report outlining the various options for the future structure of the Consortium was presented and discussed at the Policy Board meeting in September 2019. This was to be developed further at the March 2020 Policy Board meeting but this was postponed due to the coronavirus pandemic. This was discussed at the September 2020 Policy Board meeting and the options will be further developed and presented to the January 2021 Policy Board meeting.
- External Audit's 2018/2019 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 2020/2021 is:

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

Conclusion

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the East of Scotland European Consortium's governance framework, risk management and internal control.



Gregory Colgan, BAcc (Hons), ACMA, CGMA
ESEC Treasurer
26 November 2020



Cllr Will Dawson
Chair of ESEC
26 November 2020

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 2020 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 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the body as at 31 March 2020 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 2019/20 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 3 years. I am independent of the East of Scotland European Consortium 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 report in a separate Annual Audit Report, 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. 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

Rachel Browne CPFA
Senior Audit Manager
Audit Scotland
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Edinburgh
EH3 9DN

27 November 2020

East of Scotland European Consortium

GLOSSARY

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