



*EAST OF
SCOTLAND
EUROPEAN
CONSORTIUM*

**AUDITED
ANNUAL ACCOUNTS
2021/2022**

APRIL 2023

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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 2021/2022 financial year.

ESEC was established in 1991. The 2021/2022 membership consisted of the following Councils: Angus, Dundee City, Falkirk, Fife, Perth and Kinross and Stirling. ESEC was a non-statutory joint committee with political representation. The key decision-making body was the Policy Board, comprising one elected member from each member council, underpinned by an Officer Group. The Consortium was serviced by a policy officer employed by a “host” authority and funded through an annual subscription. Host responsibility rotates amongst member councils, and the 2021/2022 host was Dundee City Council.

The policy officer represented ESEC at key European events ensuring members’ interests were represented, by raising awareness and identifying funding opportunities and key policy issues.

The end of transitional arrangement on 31st December 2020 had fundamental implications for the UK’s future relationship with the EU and the UK’s status as a third country was an appropriate time to review the future role of ESEC and the ongoing commitment of members to delivery arrangements. It was agreed that the Host Authority would bring forward an options review report to address the future financial stability of ESEC given the diminishing reserves and the reduction in Member Councils. This was reported to the consortium on 17 November 2021. Taking this and other factors into account, the decision was taken to wind up the consortium by 31 March 2022. This decision was ratified on 9 March 2022 at an Extraordinary General Meeting (EGM) in accordance with ESEC’s constitution. The remaining reserves will be distributed between the member councils in accordance with ESEC’s constitution.

Annual Accounts 2021/2022

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 2021/2022 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 2021/2022 (“The Code”) which governs the format and content of local authorities’ annual accounts.

Following the decision that the consortium would be disbanded by 31 March 2022 this means that ESEC is no longer a going concern, so the going concern basis of accounting is no longer appropriate. The break up basis of accounting has been used instead. In accordance with the constitution, all assets (or liabilities) at winding up will be distributed to (or shared by) member authorities.

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 had no employees that required to be disclosed.

ESEC made no payment of salary, allowances or pension contributions to the Chair or to any of the other councillors who were 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 and Strategy of the Consortium

ESEC's key objective was to enable collaboration between members on shared European priorities. This was 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 2021/2022

Financial Performance

The six authorities who formed the membership of ESEC in 2021/2022 each contributed a sum of £7,000 to the costs of operating the Consortium. This gave a total subscription for the 2021/2022 financial year of £42,000 (In 2020/2021 there were seven member authorities. Subscription total = £49,000).

The highest area of expenditure was on staff costs for the EU Policy Officer post of £33,189. Other significant areas of expenditure in 2021/2022 included £6,906 management fee from the host authority and £3,000 for external auditor's fee.

The net position for the 2021/2022 financial year shows a £20,745 deficit (2020/2021 = £8,353 deficit) as detailed in the Comprehensive Income and Expenditure Statement on page 10. This increased deficit is associated with the distribution of the general reserve fund. At the year end, the Consortium transferred the remaining general reserve funds of £19,431 to Dundee City Council. Dundee City Council will discharge existing liabilities and collect amounts due to the Consortium. After 31 March 2022, residual income and expenditure relating to the Consortium will be administered by Dundee City Council. Thereafter, the balance of remaining funds will be distributed evenly amongst the six member authorities as part of the winding-up arrangements. After the required accounting adjustments this results in total usable reserves of £nil. This is shown in the Movement in Reserves Statement on page 9. ESEC has unusable reserves of £nil.

Assets and Liabilities

The Balance Sheet on page 11 sets out ESEC's assets and liabilities at 31 March 2022, and explanatory notes are provided on pages 13 – 16. The total net assets have reduced by £20,745 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 12.

Significant Accounting Policies

The purpose of this note on pages 13 and 14 of the accounts is to explain the basis of the figures in the accounts and to outline the accounting policies adopted in compiling the 2021/2022 accounts.

4. Plans for the Future

Following the decision that the consortium would be disbanded by 31 March 2022 means that ESEC has no plans for the future.

5. Where to Find More Information

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

6. 2021/2022 Members and Officials

Chair

Councillor Will Dawson – Dundee City Council

Vice Chair

Councillor Scott Farmer – Stirling Council

Treasurer

Robert Emmott, BSc, CPFA, Executive Director of Corporate Services – Dundee City Council

Appointed Members:-

Councillor Ben Lawrie – Angus Council

Councillor Will Dawson – Dundee City Council

Vacant – Falkirk Council

Councillor Altany Craik – Fife Council

Councillor Sheila McCole – Perth and Kinross Council

Councillor Scott Farmer – Stirling Council

7. 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.



Cllr Will Dawson
ESEC Chair

28 April 2023



Robert Emmott, BSc, CPFA
ESEC Treasurer

28 April 2023



Rory Young
Dundee City Council, Team
Leader (Business Development)

28 April 2023

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 2021/2022 financial year this post is held by Robert Emmott, BSc, CPFA, 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
ESEC Chair
28 April 2023

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 2022.

Robert Emmott

Robert Emmott, BSc, CPFA
ESEC Treasurer
28 April 2023

Movement in Reserves Statement

	Total Usable Reserves £	Total Unusable Reserves £	Total Reserves £
Balance as at 31 March 2020	(28,815)	(283)	(29,098)
Movement in reserves during the year			
(Surplus) or deficit on provision of services	8,353	0	8,353
Other Comprehensive Expenditure/(Income)	0	0	0
Total Comprehensive Expenditure	8,353	0	8,353
Adjustments between accounting and funding basis under regulations	(1,535)	1,535	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	6,818	1,535	8,353
Transfers to/from Earmarked Reserves	0	0	0
(Increase)/Decrease in Year	6,818	1,252	8,353
Balance as at 31 March 2021 carried forward	(21,997)	1,252	(20,745)
Movement in reserves during the year			
(Surplus) or deficit on provision of services	20,745	0	20,745
Other Comprehensive Expenditure/(Income)	0	0	0
Total Comprehensive Expenditure	20,745	0	20,745
Adjustments between accounting and funding basis under regulations	1,252	(1,252)	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	21,997	(1,252)	20,745
Transfers to/from Earmarked Reserves	0	0	0
(Increase)/Decrease in Year	21,997	(1,252)	20,745
Balance as at 31 March 2022	0	0	0

Comprehensive Income and Expenditure Statement

2020/2021				2021/2022			
Gross Expenditure £	Gross Income £	Net Expenditure £	Budgeted Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £	
51,011	0	51,011	Staff costs	50,508	33,189	0	33,189
66	0	66	Transport costs	440	0	0	0
203	0	203	Supplies and Services	340	242	0	242
6,272	0	6,272	Third party payments (Note 3)	6,397	29,337	0	29,337
0	(49,000)	(49,000)	Subscription income (Note 4)	(42,000)	0	(42,000)	(42,000)
57,552	(49,000)	8,552	Cost of Services	15,685	62,768	(42,000)	20,768
	(199)	(199)	Financing and investment Income and Expenditure	(170)		(23)	(23)
	0	0	Non-Specific Grant Income	0		0	0
		8,353	(Surplus) or Deficit on Provision of Services	15,515			20,745
		8,353	Total Comprehensive Expenditure / (Income)	15,515			20,745

Balance Sheet

31/03/2021		Notes	31/03/2022
£			£
	Current Assets		
6,837	Debtors	8	0
	Cash and Cash Equivalents – Short Term		
	Deposit with Dundee City Council Loans		
<u>19,366,</u>	Fund		<u>0</u>
<u>26,203</u>	Total Current Assets		<u>0</u>
(5,458)	Short Term Creditors	9	0
<u>(5,458)</u>	Total Current Liabilities		<u>0</u>
<u>20,745</u>	Net Assets		<u>0</u>
(21,997)	Usable Reserves	7	0
<u>1,252</u>	Unusable Reserves	7	<u>0</u>
<u>(20,745)</u>	Total Reserves		<u>0</u>

The unaudited accounts were authorised for issue on 29 June 2022 and the audited accounts were authorised for issue on 28 April 2023.

Robert Emmott

Robert Emmott, BSc, CPFA
ESEC Treasurer
28 April 2023

Cash Flow Statement

2020/2021		2021/2022
£		£
8,353	Net (surplus) or deficit on the provision of services	20,745
	Adjustment to surplus or deficit on the provision of services for non-cash movements:	
(2,280)	- (Increase) / decrease in creditors	5,458
6,542	- Increase / (Decrease) in debtors	(6,837)
	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
<u>199</u>	- Interest receivable	<u>23</u>
12,814	Net Cash flows from Operating Activities	19,389
	Net Cash flows from Financing Activities:	
<u>(199)</u>	- Interest receivable	<u>(23)</u>
12,615	Net (increase) or decrease in cash and cash equivalents	19,366
<u>(31,981)</u>	Cash and cash equivalents at the beginning of the reporting period	<u>(19,366)</u>
<u><u>(19,366)</u></u>	Cash and Cash equivalents at the end of the reporting period	<u><u>0</u></u>

Notes to the Accounts

1 Significant Accounting Policies

The following policies have been adopted in compiling the Financial Statements for 2021/2022:-

General

The financial statements for the year ended 31 March 2022 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (the Code), based on International Financial Reporting Standards.

Basis of Accounting

This relates to a decision taken at the Policy Board on 17 November 2021 in response to a report on options for the future delivery of ESEC. Following consideration of the options, it was decided that the consortium would be disbanded and that this action will take effect during 2021/2022. This means that ESEC is no longer a going concern, so the going concern basis of accounting is no longer appropriate. The break up basis of accounting has been used instead.

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 vatiable 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.

2 Critical Judgements in Applying Accounting Policies

The consortium has had to make certain judgements in applying the accounting policies set out in Note 1 as part of winding-up arrangements. Therefore, as part of winding-up arrangements the consortium shall not prepare its financial statements on a going concern basis, instead the break-up basis of accounting has been used when preparing the annual accounts for 2021/2022.

Notes to the Accounts

3	<u>Comprehensive Income and Expenditure Statement – Third Party Payments</u>	2020/21	2021/22
		<u>£</u>	<u>£</u>
	Dundee City Council Support Service Costs	3,352	6,906
	Audit Fee	2,920	3,000
	Transfer of remaining Reserves to Member Authorities	<u>0</u>	<u>19,431</u>
		<u>6,272</u>	<u>29,337</u>
4	<u>Comprehensive Income and Expenditure Statement - Council Contributions</u>	2020/21	2021/22
		<u>£</u>	<u>£</u>
	Aberdeen City Council	7,000	0
	Angus Council	7,000	7,000
	Dundee City Council	7,000	7,000
	Falkirk Council	7,000	7,000
	Fife Council	7,000	7,000
	Perth and Kinross Council	7,000	7,000
	Stirling Council	7,000	7,000
		<u>49,000</u>	<u>42,000</u>
5	<u>Comprehensive Income and Expenditure Statement – expenditure incurred by Dundee City Council</u>	2020/21	2021/22
		<u>£</u>	<u>£</u>
	Dundee City Council as host authority made a charge to ESEC for support costs	3,352	6,906
	Policy Officer – Dundee City Council payroll payment (post vacated in December 2021)	51,011	33,189
		<u>54,363</u>	<u>40,095</u>
6	<u>Comprehensive Income and Expenditure Statement - Disclosure of Audit Costs</u>	2020/21	2021/22
		<u>£</u>	<u>£</u>
	Fee payable to Audit Scotland for external audit services	2,920	3,000
		<u>2,920</u>	<u>3,000</u>
7	<u>Balance Sheet – Reserves</u>		
	Movements in ESEC's usable and unusable reserves are detailed in the Movement in Reserves Statement.		
8	<u>Balance Sheet – Short Term Debtors</u>	2020/21	2021/22
		<u>£</u>	<u>£</u>
	Local Authority	6,837	0
		<u>6,837</u>	<u>0</u>

Notes to the Accounts

9 Balance Sheet - Short Term Creditors

	<u>2020/21</u>	<u>2021/22</u>
	<u>£</u>	<u>£</u>
Central Government Body	4,206	0
Other Entities and Individuals	1,252	0
	<hr/>	
	5,458	0
	<hr/>	

10 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.

11 Pension Costs (IAS 19)

The ESEC officer was employed by Dundee City Council and the resulting net pension liability is included in the Balance Sheet of Dundee City Council.

12 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 4 and expenditure paid to Dundee City Council is shown in note 5.

Following the decision that the consortium would be disbanded by 31 March 2022 the break up basis of accounting has been used. In accordance with the constitution, all assets (or liabilities) at winding up will be distributed to (or shared by) member authorities. The usable reserve, before accounting adjustments, of £19,431 will therefore be distributed equally between the six member authorities.

Annual Governance Statement

Introduction

During 2021/2022 the Policy Board was responsible for ensuring that the East of Scotland European Consortium's (ESEC) business was conducted in accordance with the law and appropriate standards. This was to ensure that public funds and assets at its disposal were safeguarded, properly accounted for and used economically, efficiently and effectively. The Policy Board also had a duty to make arrangements to secure continuous improvement in the way its functions were carried out. The Policy Board comprised one elected member from each member council and is underpinned by an Officer Group.

In discharging this overall responsibility, the Policy Board was responsible for implementing effective arrangements for the governance of ESEC's affairs and facilitating the effective exercise of its functions. This included setting the strategic direction, putting in place processes and procedures to ensure the proper administration of its financial affairs, and ensuring that appropriate arrangements were in place for the management of risk.

The Policy Board had not approved and adopted its own Code of Corporate Governance which would have been 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 operated within the principles of the Code adopted by the host authority, Dundee City Council.

Dundee City Council's financial management arrangements 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 set out its planned activities in its Annual Work Plan which was approved by the Board, in addition the annual budget was also approved by the Policy Board.
- A robust and effective meeting structure was in place, with meetings attended by an appointed elected member from each constituent authority, where strategic issues facing the Consortium were addressed.
- Performance reports (including financial information) were provided to the Policy Board.
- The Policy Board responded to findings and recommendations of Audit Scotland.
- The role of the Policy Officer was defined in an agreed job description and performance was reviewed on an annual basis.
- The Board appointed Treasurer was responsible for ensuring appropriate advice was 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 worked with other Scottish local government consortia and CoSLA on relevant issues.

Review of Effectiveness

Within the Consortium's overall governance framework specific arrangements were in place as part of risk management and the system of internal financial control. These arrangements were intended to ensure that reasonable assurance could be given that assets were safeguarded, transactions were authorised and properly recorded and material errors or irregularities were either prevented altogether or detected within a timely period. It was based on a framework of regular management information, financial regulations, administrative procedures and management supervision and checking. Development and maintenance of the control arrangements was undertaken by officers within ESEC and Dundee City Council. In particular, the system included:-

- Approval of an annual budget.
- Regular reviews of periodic financial reports. This was not completed during 2021/2022 due to Covid 19.
- The preparation of regular financial reports which indicate actual expenditure against targets. This was not completed during 2021/2022 due to Covid 19.

Since 1 November 2018, the Consortium used 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.

The consortium agreed that the Host Authority would bring forward an options review report to address the future financial stability of ESEC given the diminishing reserves and the reduction in Member Councils and to review the future role of ESEC and the ongoing commitment of members to delivery arrangements. This was reported to the consortium on 17 November 2021. Taking this and other factors into account, the decision was taken to wind up the consortium by 31 March 2022. This decision was ratified on 9 March 2022 at an Extraordinary General Meeting (EGM) in accordance with ESEC's constitution. The remaining reserves will be distributed between the member councils in accordance with ESEC's constitution.

The proposed approval arrangements for the 2021/22 annual accounts were rejected by Dundee City Council so the Policy Board reconvened for a final meeting to fulfil ESEC's statutory responsibilities to approve and sign the annual accounts. ESEC's latest five year's Audited Accounts and Annual Audit Reports will be publicly available on DCC's website after ESEC's website has been closed.

During the year to 31 March 2022 no specific reviews or investigations for ESEC were carried out by either internal or external auditors. Dundee City Council's Acting 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 2021/2022 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 2021/2022 Annual Internal Audit Report, presented to the Council's Scrutiny Committee on 29 June 2022, 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 2022. Dundee City Council's internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and conforms to CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption, and CIPFA's Role of the Head of Internal Audit.

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 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 the governance framework.
- Assurances received from the host authority in relation to the financial systems hosted by them.
- The Performance Management arrangements in place.

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.

Robert Emmott

Robert Emmott, BSc, CPFA
ESEC Treasurer
28 April 2023

Will Dawson

ClIr Will Dawson
ESEC Chair
28 April 2023

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

Reporting 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 East of Scotland European Consortium for the year ended 31 March 2022 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 interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the body as at 31 March 2022 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 2021/22 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 5 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.

Emphasis of matter – basis of accounting

I draw attention to note 1 in the financial statements which explains that the financial statements have been prepared using a break-up basis of accounting as the body is no longer a going concern. My opinion is not modified in respect of this matter.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements 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 there is an intention to discontinue the body's operations.

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website <https://www.frc.org.uk/auditors/audit-assurance-ethics/auditors-responsibilities-for-the-audit>. This description forms part of my auditor's report.

Reporting on other requirements

Statutory other information

The Treasurer is responsible for the other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, and Statement of Responsibilities.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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

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28 April 2023

East of Scotland European Consortium

GLOSSARY

CIPFA	Chartered Institute of Public Finance and Accountancy
COSLA	Convention of Scottish Local Authorities
CRF	UK Community Renewal Fund
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