
WEST OF SCOTLAND EUROPEAN FORUM

ANNUAL ACCOUNTS

For the year ended 31 March 2019

(Pre-Audit Inspection Copy)

WEST OF SCOTLAND EUROPEAN FORUM

Financial Statements for the Year ended 31 March 2019

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❖ Management Commentary

The West of Scotland European Forum (WSEF) was set up in 2007. Its purpose is to develop positive links between the communities of the region and the institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WSEC). In addition to the local authorities who are members of WSEF, there are a number of other organisations in the region who participate in Forum activities.

Covering a geographically diverse region stretching from the Southern Uplands to the Highlands and Islands, this varied territory covered by forum members includes the Clydeside conurbation, the City of Glasgow, and several important industrial areas.

In 2018/19 the Forum continued to work within its “Smarter Working” framework that had been agreed in 2010. Work focused on 2 main issues – the delivery of the 2014-2020 Scottish EU funding programmes (including the South West Scotland Youth Employment Initiative) and proposed UK Shared Prosperity Fund which is intended to replace EU Structural Fund programmes in the UK following “Brexit”. In carrying out these tasks the Forum continued its long standing collaboration with The Industrial Communities Alliance (ICA). It also cooperated closely with other Scottish stakeholders in promoting the opportunities provided to seek support from a number of European Territorial Cooperation programmes.

There continued to be considerable uncertainty regarding the nature and timing of the UK’s departure from the EU in 2018/19. The UK Government and EU agreed a transition period in December 2017 that effectively would mean that existing EU programmes for the 2014-20 period would continue to operate until December 2020. This agreement is however not legally binding and is contingent on the outcome of other aspects of the “Brexit” negotiations. Although the negotiations between the UK Government and the EU concluded in 2018, UK Parliament endorsement of the terms of the agreement reached had not been given by 29th March 2019, the anticipated date of Brexit. The uncertainty will thus continue into 2019/20.

Notwithstanding this environment the Forum continued its work on promoting the case for continuing Scottish/UK access to certain EU collaborative programmes in the 2021-27 EU funding period.

The accounts have been prepared on an ongoing concern basis.

In respect of its financial affairs, 2018/19 marked the first year in which the Forum sought to achieve a general balance in its budget having run down its accumulated reserves in a managed fashion over the preceding years. This objective was substantially met in 2018/19 and the maintenance of the balance will protect the organisation in light of the current economic climate which has put local authority budgets under significant pressure.

Financial results

In 2018/19 total income was £42,500 and total expenditure was £42,801, resulting in a deficit for the year of £301, leaving a balance of funds carried forward of £42,519.

❖ **Statement of Responsibilities for the Statement of Accounts**

1. The lead authority's responsibilities

The lead authority is required:

- To make arrangements for the proper administration of the Forum's financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In Glasgow City Council, that officer is the Executive Director of Finance.
- To manage its affairs to secure economic, efficient and effective use of the 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) and
- To approve the Annual Accounts for signature.

These Annual Accounts will be considered by the Forum before 31 August 2019 and submitted to the Forum to be approved for signature no later than 30 September 2019.

2. The Executive Director of Finance responsibilities

The Executive Director of Finance is responsible for the preparation of the Forum's Annual Accounts, in accordance with proper practices, as required by legislation and as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing these Annual Accounts, the Executive Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation; and
- Complied with the Code.

The Executive Director of Finance has also:

- Kept adequate accounting records, which were up to date; and
- 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 West of Scotland European Forum as at 31 March 2019 and the transactions for the year then ended.

Martin Booth BA CPFA MBA
Executive Director of Finance
14 June 2019

❖ Movement in Reserves Statement for the Year ended 31 March 2019

The Code requires reserves to be summarised as usable and unusable. The balance in WOSEF is the sole usable reserve and represents the accumulated surplus of the organisation.

The balance held by the Forum stands at £42,519 as at 31 March 2019, a decrease of £301 from last year, due to the deficit on the provision of services in the year.

| | Total Reserves £ |
|---|-----------------------------|
| Balance at 1 April 2017 | 48,933 |
| Movement in reserves during 2017/18: | |
| Surplus or (Deficit) on the Provision of Services | (6,113) |
| Other Comprehensive Income and (Expenditure) | 0 |
| Increase or (Decrease) in the year | (6,113) |
| Balance at 31 March 2018 | 42,820 |
| Movement in reserves during 2018/19: | |
| Surplus or (Deficit) on the Provision of Services | (301) |
| Other Comprehensive Income and (Expenditure) | 0 |
| Increase or (Decrease) in the year | (301) |
| Balance at 31 March 2019 | 42,519 |

❖ Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

| 2017/18 Net Exp. £ | Service | Note | 2018/19 Net Expenditure £ |
|--------------------------|--|------|---------------------------------|
| 48,498 | Gross expenditure | 3 | 42,801 |
| (42,198) | Gross income | 3 | (42,198) |
| 6,300 | Cost of Services | | 603 |
| (187) | Interest and investment income | | (302) |
| (187) | Financing and Investment Income and Expenditure | | (302) |
| 6,113 | (Surplus) or Deficit on the Provision of Services | | 301 |
| 0 | Other Comprehensive (Income) and Expenditure | | 0 |
| 6,113 | Total Comprehensive (Income) and Expenditure | | 301 |

Comprehensive Income and Expenditure Statement – shows income and expenditure incurred in the year relating to the provision of WOSEF services, and other unrealised gains and losses. In total, this reflects the movement in the overall WOSEF reserves shown in the Balance Sheet.

❖ **Balance Sheet as at 31 March 2019**

| <i>31 March 2018</i> | | | <i>31 March 2019</i> |
|----------------------|-----------------------------------|------|----------------------|
| £ | | Note | £ |
| 44,100 | Net short-term debtors | 6 | 43,832 |
| 44,100 | Current Assets | | 43,832 |
| (1,280) | Short-term creditors | 7 | (1,313) |
| (1,280) | Current Liabilities | | (1,313) |
| 42,820 | Net Assets / (Liabilities) | | 42,519 |
| 42,820 | Usable Reserves | | 42,519 |
| 0 | Unusable Reserves | | 0 |
| 42,820 | Total Reserves | | 42,519 |

Balance Sheet – represents the value of the assets and liabilities of WOSEF as at 31 March 2019. The net assets (assets less liabilities) are matched by the total Usable and Unusable Reserves.

The unaudited accounts were issued
on 14 June 2019

Martin Booth BA CPFA MBA
Executive Director of Finance
14 June 2019

❖ **Cash Flow Statement for the Year ended 31 March 2019**

| 2017/18 £ | Revenue Activities | 2018/19 £ |
|--------------|--|--------------|
| (6,113) | Surplus or (Deficit) on the Provision of Services | (301) |
| | Adjustments for non-cash items: | |
| 6,086 | (Increase) / decrease in debtors | 268 |
| 27 | Increase / (decrease) in creditors | 33 |
| 6,113 | | 301 |
| 0 | Net cash inflow / (outflow) from activities | 0 |

Cash Flow Statement – details the changes in cash and cash equivalents of the Forum. The statement shows the Forum generated a negative cash balance through an operating deficit in the year 2018/19. This is matched by a movement in debtors (balance held by Glasgow City Council on behalf of WOSEF) and creditors to leave a net nil balance.

❖ Notes to the accounts

The main objective of these notes is to provide further explanation for certain aspects of the core Financial Statements.

1. Statement of accounting policies

- 1.1 The Financial Statements for the year ended 31 March 2019 have been compiled on the basis of recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code). The Code is based on International Financial Reporting Standards (IFRS) with interpretation appropriate to the public sector. The statements are designed to give a 'true and fair view' of the financial performance and position of the Forum.
- 1.2 The accounting concepts of materiality, accruals, going concern and primacy of legislative requirements have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received. The going concern concept assumes that the Forum will not significantly curtail the scale of its operation. Wherever accounting principles and legislative requirements are in conflict, the latter shall apply.
- 1.3 Suppliers' invoices received up to 31 March 2019 have been included in the accounts. In addition, various items of expenditure have been accrued in accordance with the Code where the goods or services were received prior to 31 March 2019. Salaries and wages earned to 31 March 2019 are included in the accounts for 2018/19 irrespective of when the actual payments were made.
- 1.4 Income includes all sums due in respect of subscriptions from member authorities and other organisations and interest earned on fund balances for the year ended 31 March 2019.
- 1.5 There were no complex transactions or potential future uncertainties requiring critical judgements or estimations of uncertainty in preparing the 2018/19 accounts.

2. New standards issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The Code requires implementation from 1 April 2019 and there is therefore no impact on the 2018/19 annual accounts.

Overall, these new or amended standards are not expected to have a significant impact on the Annual Accounts.

3. Income and expenditure statement

The table below provides a detailed breakdown of income and expenditure of the Forum during 2018/19:

| 2017/18 Net Exp. £ | | Note | 2018/19 Net Expenditure £ |
|--------------------------|--|------|---------------------------------|
| Income | | | |
| (187) | Interest | | (302) |
| (42,198) | Contributions from participating local authorities | 4 | (42,198) |
| (42,385) | Total income | | (42,500) |
| Expenditure | | | |
| 18,186 | Employee costs | | 12,746 |
| Administration costs: | | | |
| 26,000 | Subscriptions | | 26,000 |
| 1,413 | Travel and operational costs | | 1,486 |
| 979 | Miscellaneous | | 599 |
| 1,920 | Audit fee | 10 | 1,970 |
| 48,498 | Total expenditure | | 42,801 |
| 6,113 | (Surplus) or deficit for year | | 301 |
| (48,933) | (Surplus) brought forward | | (42,820) |
| (42,820) | Accumulated (surplus) or deficit | | (42,519) |

4. Local authority subscriptions

The majority of income received by WOSEF is derived from contributions received from the local authorities and other organisations who are members of the Forum.

A detailed breakdown of each member's contribution to the Forum in respect of 2018/19 and the previous year is shown in the table below:-

| <i>Annual Subscription 2017/18 £</i> | Local Authority | Annual Subscription 2018/19 £ |
|--|---------------------------------------|--|
| 2,176 | East Ayrshire Council | 2,176 |
| 2,004 | South Ayrshire Council | 2,004 |
| 2,552 | Renfrewshire Council | 2,552 |
| 1,822 | West Dunbartonshire Council | 1,822 |
| 2,004 | East Dunbartonshire Council | 2,004 |
| 2,552 | North Ayrshire Council | 2,552 |
| 1,632 | East Renfrewshire Council | 1,632 |
| 10,880 | Glasgow City Council | 10,880 |
| 1,632 | Argyll and Bute Council | 1,632 |
| 5,440 | South Lanarkshire Council | 5,440 |
| 5,440 | North Lanarkshire Council | 5,440 |
| 1,632 | Inverclyde Council | 1,632 |
| 1,632 | Strathclyde Partnership for Transport | 1,632 |
| 800 | Other contributions | 800 |
| 42,198 | Total | 42,198 |

5. Employee benefits

The staff member of the Forum is a Glasgow City Council employee and the council is an admitted body of the Strathclyde Pension Fund.

In accordance with International Accounting Standard 19 (IAS 19) – Employee Benefits, the council is required to disclose certain information concerning assets, liabilities, income and expenditure, of the pension scheme. The Forum's staff pension costs are reflected in the figures disclosed in Glasgow City Council's financial statements.

The Code requires that employee benefits are recognised in the accounts when they are earned rather than when they are paid. As a result, there is a requirement to consider notional entitlements to annual leave earned but not taken as at 31 March. The employee working on the Forum's activities is contracted to Glasgow City Council and therefore any notional liability has been included within the accounts of Glasgow City Council who holds the contract of employment.

6. Short-term debtors

The net short-term debtors figure of £43,832 for 2018/19 is comprised of the following:-

| 31 March 2018 £ | Short-term debtors | 31 March 2019 £ |
|--------------------|--|--------------------|
| 44,100 | Balance held by GCC on behalf of WOSEF | 43,832 |
| 44,100 | Total sundry debtors | 43,832 |

7. Short-term creditors

The short-term creditors figure for 2018/19 of £1,313 (2017/18 £1,280) comprises the following:-

| 31 March 2018 £ | Short-term creditors | 31 March 2019 £ |
|--------------------|-------------------------------|--------------------|
| 1,280 | Accrued audit fees | 1,313 |
| 1,280 | Total sundry creditors | 1,313 |

8. Remuneration Report

West of Scotland European Forum is a Joint Committee comprised of several local authorities and other organisations. Given that Glasgow City Council (GCC) is the lead authority, the senior management are deemed to be from GCC. Details of remuneration paid to senior management at GCC is available in the remuneration report included within GCC's financial statements. The employee working on the project does not earn more than £50,000. No remuneration was paid to the members of the Forum.

9. Related Parties

Glasgow City Council is the administering body responsible for WOSEF. The related party transactions between WOSEF and Glasgow City Council are shown in the table below:

| 2017/18 Net Exp/(Inc) £ | Debtor/(Creditor) at 31 March 2018 £ | Related Party transactions and balances | 2018/19 Exp £ | 2018/19 Inc £ | Debtor/(Creditor) at 31 March 2019 £ |
|-------------------------------|--|---|------------------|------------------|--|
| | | Related bodies | | | |
| (10,880) | 44,100 | Glasgow City Council | 0 | 10,880 | 43,832 |

10. Auditor remuneration

WOSEF incurred fees of £1,970 (2017/18 £1,920) for the statutory inspection of the financial statements by Audit Scotland. Fees payable in respect of other services provided by the appointed auditor were £nil (2017/18 £nil).

11. Events after the balance sheet date

There were no material events between 31 March 2019 and the date of signing that require to be reflected in the Financial Statements.

12. Accounts issued for authorisation

The unaudited Financial Statements will be considered by the Forum before 31 August 2019.

Governance Statement

Scope of responsibility

The West of Scotland European Forum Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Forum also has a statutory duty to make arrangements to secure best value, to ensure public funds are used economically, efficiently and effectively and to ensure continuous improvement in the way its functions are exercised.

In discharging this responsibility, members are responsible for ensuring proper arrangements for the governance of the Forum's affairs and facilitating the effective exercise of its functions, which includes the management of risk.

WOSEF's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) by virtue of the adoption by Glasgow City Council of a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: Delivering Good Governance in Local Government.

The Code is regularly reviewed and evidences the Council's commitment to achieving good governance and demonstrates how it complies with recommended standards.

The Forum relies on the Council which has embedded a system of risk management and internal control. While providing reasonable assurance, these systems cannot, however, provide absolute assurance or certainty in entirely eliminating the risk of the Council failing to achieve its aims and objectives; incurring material errors; losses; fraud or breaches of laws and regulations.

The Joint Committee's Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Forum is directed and controlled. Through the framework it is accountable to, engages with and leads the community. It enables the Forum to monitor the achievement of its objectives against its plans and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The governance framework will be continually updated to reflect best practice, new legislative requirements and the expectations of stakeholders.

The Forum has responsibility for ensuring the continuing effectiveness of its governance framework and system of internal control. The main features of the Forum's governance arrangements are as follows:-

- A formal document outlining the Forum's objectives, membership, lead and support authority arrangements, budgetary processes and meeting frequency
- The Forum is supported by a Steering Group of officers from the member councils and other bodies
- Compliance with Glasgow City Council's Standing Orders, Scheme of Delegation and Financial Regulations
- Regular meetings of WOSEF
- A budget setting process which includes the agreed local authority and other bodies contributions to the annual running costs of the organisation
- The regulation of employee matters through the Council's Code of Conduct for employees

Review of Effectiveness

The Council's governance arrangements continue to be regarded as fit for purpose in accordance with the new legislative requirements and the expectations of stakeholders. The effectiveness of the framework, including the system of internal control, is considered at least annually and is informed by:

- (a) The work of the members of the Corporate Management Team, who have responsibility for the development and maintenance of the governance environment.
- (b) Oversight by the Director of Governance and Solicitor to the Council.
- (c) The Head of Audit and Inspection's annual report. Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions and complies with the Public Sector Internal Audit Standards (PSIAS) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- (d) Observations made by external auditors and other review agencies and inspectorates.
- (e) The completion of a self-assessment questionnaire by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates. This questionnaire is aligned to the principles contained in the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government, and requires assessments to be made of the extent to which arrangements within each Service/organisation comply with these principles. The responses to the questionnaires are confirmed on a sample basis by Internal Audit, as part of a rolling programme of corporate governance reviews.
- (f) The completion of signed statements of internal control by all Service Directors and the Managing Directors/Chief Executives of subsidiaries and relevant associates. Such statements were received for 2018/19, declaring that "There are, in my opinion, no significant matters that require to be raised in this Certificate, which is provided to

support Glasgow City Council's Statement of Internal Control for the financial year 2018/19, as it is my opinion that the procedures which have been designed to ensure proper governance and financial control are operating adequately”.

- (g) The exercising, by the two Scrutiny Committees, of respective remits including scrutiny of the performance of Services, subsidiaries and relevant associates, including financial management, statutory and other performance, and outcomes set through the GCPP Community Plan, which are relevant to partnership working and monitoring internal financial control, corporate risk management and corporate governance, and receiving and considering summaries of internal and external audit reports.
- (h) In June 2018, a survey of Elected Members was undertaken to review governance arrangements and identify any lessons learned in relation to the effectiveness of Committees.

Senior officers have been advised on the implications of the result of the review of the effectiveness of the governance framework by Internal and External Audit, and plans to address weaknesses and ensure continuous improvement of the systems are in place.

Governance Developments and Future Activity

The following activity is planned, in relation to the governance framework, in 2019/20:

- The Risk Management Policy and Framework and the Pentana risk management system will continue to be applied and used and the first review of the Framework will be completed in 2019/20.
- Continued implementation of the recommendations arising from the Improvement Service review of governance and accountability arrangements and the Best Value Assurance Report.
- Review of the Corporate Asset Management Plan.
- Review and relaunch of the Customer Care Strategy.
- Continuation of the Council Family Review and review of the ALEO Governance Framework.
- The current Records Management Plan, required by the Public Records (Scotland) Act 2011 and approved by the Keeper of the Records of Scotland in 2014, will be reviewed and a new plan will be submitted for approval in 2019/20.

Update on significant governance issues previously reported

During 2015/16 an Internal Audit into Disaster Recovery and Business Continuity controls concluded that the control environment was unsatisfactory and identified a number of improvement actions for the Council and its (then) ICT partner ACCESS. All of the original findings from that audit have been fully implemented through a new corporate business continuity framework. A subsequent Business Continuity audit found elements of non-compliance with the new framework.

There is also a need for the Council to ensure that recovery time objectives for ICT systems in Business Continuity Plans are reasonable and appropriate, and match the actual provision in ICT Disaster Recovery Plans. Failure to do so may reduce the effectiveness of the Council's arrangements to respond to ICT applications being unavailable, and result in system down-times exceeding tolerances set out in Business Continuity Plans. Internal Audit will undertake further assurance work in this area during 2019/20.

Significant Governance Issues

Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported in the Annual Governance Statement. During 2018/19 there were no unsatisfactory opinions issued relating to the Council's assurance.

Internal Audit Opinion

Based on the audit work undertaken, the assurances provided by Service Directors and Managing Directors/Chief Executives of subsidiaries and relevant associates and, excluding the significant issues noted above, it is the Head of Audit and Inspection's opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and internal control environment which operated during 2018/19 in the West of Scotland European Forum.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control that operate in the West of Scotland European Forum and that these arrangements were in place for the whole of 2018/19.

We will continue to review and enhance, as necessary, our governance arrangements.