



*EAST OF
SCOTLAND
EUROPEAN
CONSORTIUM*

**FINANCIAL REPORT AND ACCOUNTS
2011/12**

East of Scotland European Consortium

Statement of Accounts for the financial year 2011/2012

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East of Scotland European Consortium

MEMBERS AND OFFICIALS

CHAIR

Councillor Kate Dean – Aberdeen City Council

VICE CHAIR

Councillor Scott Farmer – Stirling Council

Councillor Mark Salmond – Angus Council

TREASURER

Barry Jenkins, Head of Finance – Aberdeen City Council

Appointed Members:-

Councillor Kate Dean – Aberdeen City Council

Councillor Mike Sullivan – Aberdeenshire Council

Councillor Mark Salmond – Angus Council

Councillor John Letford – Dundee City Council (interim)

Councillor David Berry – East Lothian Council

Councillor William Buchanan – Falkirk Council

Councillor Elizabeth Riches – Fife Council

Councillor John Russell – Moray Council

Councillor John Kellas – Perth and Kinross Council

Councillor Scott Farmer – Stirling Council

Councillor Jim Dickson – West Lothian Council

Chairman's Report 2011-12

Funding support

We have continued to develop our funding support work area during this period where a number of European Union (EU) funds are becoming fully committed. We have used this time to think about practical solutions for future EU programmes - without taking our eyes completely off the ball on what is happening in the live EU programmes.

As part of our commitment to support transnational project development in the region, we have started work on a new database system which will lead to the development of an online **transnational partner search facility** to be launched next year. This is a significant piece of work which will make it easier to match partners' needs and will give us a more in-depth insight into what the priorities of members are and where collaboration might be possible.

In terms of transnational projects, we helped support the successful development of a North Sea project led by Aberdeen City Council on the Hydrogen Transnational Economy (**HyTrEC**) which will support their work to introduce hydrogen fuelled buses to Aberdeen with the help of Framework 7 Programme funds by looking at regional planning of hydrogen infrastructure. The energy theme is a priority area for almost all our local authorities now. We continued to support our two city authorities, Dundee and Aberdeen, on plans to engage in the **Smart Cities and Communities initiative**, though the timing was a little soon for both of them to take part in the funding call side of things. Smart Cities refers to EU plans to accelerate large scale deployment of energy efficiency measures and innovative low carbon technology deployment at district level. Others also showing an interest in this area include Fife, Angus and Aberdeenshire.

ESEC's Policy Officer – Ingrid Green – continues to sit on the Steering Committee for the North Sea Programme and Fife Council's Employability Service Manager - Lucinda McAllister - sits on the Scottish Steering Committee for the Lifelong Learning Programmes. Both officers will feed in practical advice to the respective Secretariats on the development of the future programmes.

ESEC has continued to support members when it comes to influencing the management of the Scottish EU Programmes and have worked with members on plans to develop **rural broadband infrastructure** with the remains of European Regional Development Funds (ERDF) available for rural development in the Lowland and Upland Scotland Programme. Cllr Rob Murray of Angus Council and I remained on the Programme Management Committee (PMC) of the Lowland and Upland Scotland Programmes.

Regional policy and funding strategies

The European Commission launched a draft set of regulations in October 2011 which outlines how they see future 'regionally' delivered EU funds working (i.e. rural development part of the Common Agricultural Policy (CAP); communities element of the fisheries fund; European Regional Development Fund and European Social Fund programmes). There will be much closer alignment between funds in the future, which is something ESEC has been arguing for a number of years. We have been exploring with members what this might entail in terms of **delivery models** and what should be prioritised in terms of the possible priorities. The Policy Board were able to come to a position on **preferred priorities** relatively easily, demonstrating the strength of collaboration in the east coast. The work on influencing the development of the future funds will continue well into next year beyond.

The Secretariat has also been working with a number of members (Aberdeen City; Falkirk, Dundee City; and Stirling) on the possibility of developing **Local European Strategies**. In preparing for the future programmes local authorities will need to become more strategic in their approach to EU funding. We believe that a local European strategy is a useful vehicle for collecting this information, advocating members' needs and ultimately enhancing the delivering on their local priorities by accessing EU funds. We will continue to work with members interested in developing such strategies in the years ahead.

Policy support

Despite having a heavy agenda on EU regional policy and projects the Policy Board found time to monitor the development of a number of important areas including:

- Review of **Regional Aid Guidelines** for 2014-2020
- Review of rules affecting **Services of General Economic Interest**
- Multi-annual Financial Framework (**EU Budget**) for 2014-2020
- **VAT Reform**
- **EU Energy Strategy** for 2010-2020

Events

ESEC also held a number of events to support our policy and funding work:

4 April 2011	Roadshow on future EU Research and Innovation Policy, Aberdeen
11 October 2011	North Sea Supergrid seminar as part of the EU Open Days week, Brussels
24 October 2011	Plans for a North Sea Supergrid, Aberdeen
19 December 2011	Roundtable discussion on the future funds, Glasgow

Membership

We have remained members of **Scotland Europa** and have maintained a strong working relationship with them in delivering joint events and for engagement in Brussels. We also remain members of the **Economic Development Association of Scotland**.

Secretariat changes

In February 2012 the Secretariat was joined by Laura Sedaine a student from the University of Strasbourg who is on a **work placement** in Aberdeen till the end of July. Her primary role is to help support the development of our new transnational partner search facility.

ESEC also hosted Anita Toth from the **region of West Sweden** in November as part of a Lifelong Learning project to learn how others approach developing EU projects. We are hopeful this visit will lead to some collaborative projects between the two regions.

ESEC's time at Aberdeen City Council came to an end at the end of April 2012 when plans for the new electoral cycle and rotation of the Secretariat came to fruition. As we hand over the responsibility of hosting ESEC to **Angus Council**, we will not know who the future Chairperson and Vice-Chairs will be until the first meeting of the Policy Board post the local government elections at the end of June. Whoever they are, I wish them well in their roles.

As I come to the **end of my time in Local Government**, I would like to thank the staff of ESEC for their contribution to the organisation under my Chairmanship. I would also like to record my thanks to all participants in ESEC, past and present, for their contributions. The organisation is only as strong as its Members, so their efforts in continuing the success of ESEC are what will pay dividends for Councils in the long term.



Kate Dean
Chair of ESEC

East of Scotland European Consortium Statement of Accounts

Explanatory foreword

The East of Scotland European Consortium was formed in 1991.

The purpose of the Statement of 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 2011/2012, and to explain in overall terms the Consortium's financial position.

The Statement of Accounts has been prepared in accordance with the International Financial Reporting Standard (IFRS) based Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). The Statement of Accounts is also based on the Service Reporting Code of Practice 2011/12 (SeRCOP).

Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts and to outline the accounting policies adopted in compiling the 2011/2012 accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the reserves held by ESEC.

Comprehensive Income and Expenditure Statement

This statement reports on the net cost for the year of the functions undertaken by ESEC, and demonstrates how the cost has been financed.

Balance Sheet

This statement sets out the financial position of the Consortium as at the 31 March 2012, and includes all assets and liabilities in respect of all the activities undertaken.

Statement on the System of Internal Financial Control

This statement provides assurance in relation to corporate governance including the systems of internal financial control.

Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 and require local authorities in Scotland to prepare a Remuneration Report as part of the Financial Statements.

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 any of the councillors who are appointed members of the Consortium.

Financial Performance

There are now 9 authorities that form the membership of ESEC. This ensures a total subscription during the 2011/12 financial year of £60,750.

Expenditure for the 2011/12 financial year was less than in 2010/11 due to cost efficiencies in staffing, transport and supplies and services.

The net position for the 2011/12 financial year shows £2,050 underspend as shown in the Comprehensive Income and Expenditure Statement. This sum has been added to the surplus carried forward from 2010/11 resulting in total reserves of £79,868.

The split of the reserves into useable and unusable is shown in the Movement in Reserves Statement. ESEC has useable reserves of £80,984 which have been carried forward to the 2012/13 financial year.

East of Scotland European Consortium Statement of Accounts

Statement of responsibilities for the Statement of Accounts

The East of Scotland European Consortium's responsibilities

The Consortium is required:-

- (1) 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 Aberdeen City Council is the host authority for the 2011/12 financial year this post is held by Barry Jenkins, Head of Finance, Aberdeen City Council.
- (2) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the ESEC Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Treasurer has:

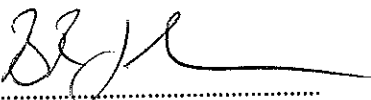
- (1) selected suitable accounting policies and then applied them consistently;
- (2) made judgements and estimates that were reasonable and prudent;
- (3) complied with the Code of Practice.

The Treasurer has also:

- (1) kept proper accounting records which were up to date;
- (2) taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement by the Treasurer

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the East of Scotland European Consortium as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.



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Barry R Jenkins, B.Acc, CPFA, MBA
Treasurer
28 September 2012

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

I certify that I have audited the financial statements of East of Scotland European Consortium for the year ended 31 March 2012 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 the related notes. 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 2011/12 (the 2011/12 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Consortium's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the financial report and accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of East of Scotland European Consortium as at 31 March 2012 and of the income and expenditure of East of Scotland European Consortium 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 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the information given in the Chairman's Report and the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required 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; or
- the Statement on the System of Internal Financial Control does not comply with the 2011/12 Code; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Rachel Browne
Senior Audit Manager
Audit Scotland
18 George Street
Edinburgh EH2 2QU

28 September 2012

**East of Scotland European Consortium
Movement in Reserves Statement**

	General Fund Balance £	Usable Reserves £	Total Reserves £	Total Unusable Reserves £	Total Reserves of the Organisation £
Balance as At 1 April 2010	(71,568)	(71,568)	1,115		(70,453)
Movement in reserves during the year					
(Surplus) or deficit on the provision of services	(7,365)	(7,365)			(7,365)
Other Comprehensive Income and Expenditure					
Total Comprehensive Income and Expenditure	(7,365)	(7,365)			(7,365)
Adjustments between accounting basis & funding basis under regulations					
- Adjustment in relation to Accumulating Compensated Absenses Adjustment Account - Note 2	315	315	(315)		
Net Increase/Decrease before Transfers to Earmarked Reserves and Statutory and Other Reserves	(7,050)	(7,050)	(315)		(7,365)
Transfers to or from earmarked reserves and Statutory and Other Reserves	0	0	0	0	0
Increase/Decrease in Year	(7,050)	(7,050)	(315)	(315)	(7,365)
Balance as at 31 March 2011	(78,618)	(78,618)	800		(77,818)
Movement in reserves during the year					
(Surplus) or deficit on the provision of services	(2,050)	(2,050)			(2,050)
Other Comprehensive Income and Expenditure					
Total Comprehensive Income and Expenditure	(2,050)	(2,050)			(2,050)
Adjustments between accounting basis & funding basis under regulations					
- Adjustment in relation to Accumulating Compensated Absenses Adjustment Account - Note 2	(316)	(316)	316		
Net Increase/Decrease before Transfers to Earmarked Reserves and Statutory and Other Reserves	(2,366)	(2,366)	316		(2,050)
Transfers to or from earmarked reserves and Statutory and Other Reserves	0	0	0	0	0
Increase/Decrease in Year	(2,366)	(2,366)	316	316	(2,050)
Balance as at 31 March 2012	(80,984)	(80,984)	1,116		(79,868)

**East of Scotland European Consortium
Comprehensive Income and Expenditure Statement for the year ended 31 March 2012**

Notes

	2010/11	2011/12	Net
	Expenditure	Income	Income
	£	£	£
	44,141	-	44,141
Staff Costs	7,811	-	7,811
Transport Costs	11,078	-	11,078
Supplies and Services	4,952	-	4,952
Third Party Payments	-	(74,250)	(74,250)
Subscription Income	-	-	-
Other Income	-	-	-
Net Cost of Services	67,982	(74,250)	(6,268)
Financing and Investment Income and Expenditure			
- Interest receivable and similar income	(1,097)	(1,407)	(1,407)
(Surplus) or Deficit on Provision of Services	(7,365)	(2,050)	(2,050)
Other Comprehensive (Income) and Expenditure			
Total Comprehensive (Income) and Expenditure	(7,365)	(2,050)	(2,050)

**East of Scotland European Consortium
Balance Sheet As At 31 March 2012**

31 March 2011	31 March 2012	Notes
£	£	
-	1,420	7
88,140	87,041	
88,140	88,461	
(9,522)	(7,477)	8
(800)	(1,116)	2
(10,322)	(8,593)	
77,818	79,868	
(78,618)	(80,984)	6
800	1,116	2
(77,818)	(79,868)	

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 Barry R Jenkins, B.Acc, CPFA, MBA

Treasurer
 The unaudited accounts were issued on the 25 June 2012
 and audited accounts were authorised for issue on 28 September 2012

28 September 2012

**East of Scotland European Consortium
Cash Flow Statement at 31 March 2012**

	2010/11 £	2011/12 £
Net (surplus) or deficit on the provision of services	(7,365)	(2,050)
Adjustment to surplus or deficit on the provision of services for noncash movements		
- (Increase) / Decrease in Creditors	(775)	1,729
- Increase / (Decrease) in Debtors	-	1,420
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
- Interest Receivable	<u>1,097</u>	<u>1,407</u>
Net cash flows from operating activities	(7,043)	2,506
Net Cash flows from Investing Activities	-	-
Net Cash flows from Financing Activities		
- Interest receivable	<u>(1,097)</u>	<u>(1,407)</u>
Net (increase) or decrease in cash and cash equivalents	(8,140)	1,099
Cash and cash equivalents at the beginning of the reporting period	(80,000)	(88,140)
Cash and cash equivalents at the end of the reporting period	<u>(88,140)</u>	<u>(87,041)</u>

East of Scotland European Consortium
Notes to the Accounts for the year ended 31 March 2012

1 Accounting Policies

The following policies have been adopted in compiling the Financial Statements for 2011/2012:-

General

The financial statements are prepared under the historical cost convention. The financial statements for the year ended 31 March 2012 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (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 from the provision of services is recognised when ESEC can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to ESEC.
- 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 there is evidence that debts are unlikely to be settled, the balance, if debtors, is written down and a charge made to revenue for the income that might not be collected.

Employee Benefits

Short-term employee benefits (those that fall wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Consortium. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absence Adjustment Account in the Movement in Reserves Statement.

East of Scotland European Consortium
Notes to the Accounts for the year ended 31 March 2012

1 Accounting Policies (continued)

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 are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Events after the Reporting Period

Events after the reporting period 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.

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 and Prior Period Adjustments

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.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

East of Scotland European Consortium
Notes to the Accounts for the year ended 31 March 2012

1 Accounting Policies (continued)

Exceptional Items and Prior Period Adjustments (continued)

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 ESEC'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.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

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 Aberdeen City Council so all VAT transactions relating to ESEC are recovered by the Council.

East of Scotland European Consortium
Notes to the Accounts for the Year Ended 31 March 2012

2 Movement in Reserves Statement - Adjustments between Accounting Basis and Funding Basis under Regulations.

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by ESEC in the year in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to

	2010/11 £	2011/12 £
Balance at 1 April	1,115	800
Settlement or cancellation of accrual made at the end of the preceding year	(1,115)	(800)
Amounts accrued at the end of the current year	<u>800</u>	<u>1,116</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(315)	316
Balance at 31 March	<u><u>800</u></u>	<u><u>1,116</u></u>

3 Comprehensive Income and Expenditure Statement - Council Contributions

	2010/11 £	2011/12 £
Aberdeen City Council	6,750	6,750
Aberdeenshire Council	6,750	6,750
Angus Council	6,750	6,750
Dundee Council	6,750	6,750
East Lothian Council	6,750	-
Falkirk Council	6,750	6,750
Fife Council	6,750	6,750
Moray Council	6,750	6,750
Perth and Kinross Council	6,750	6,750
Stirling Council	6,750	6,750
West Lothian Council	6,750	-
	<u><u>74,250</u></u>	<u><u>60,750</u></u>

4 Comprehensive Income and Expenditure Statement - Central Support Charges

Aberdeen City Council as host authority made no direct charge to ESEC for support costs. Note 11 details how ACC recovers VAT on behalf of ESEC and this is retained as payment towards accountancy costs. This amounts to £721 for 2012 (£748 - 2011).

5 Comprehensive Income and Expenditure Statement - Disclosure of Audit Costs

	2010/11 £	2011/12 £
Fee payable to Audit Scotland	3,590	2,570
Fee payable to Audit Scotland (adjustment to 2010/11)	-	722
	<u><u>3,590</u></u>	<u><u>3,292</u></u>

East of Scotland European Consortium
Notes to the Accounts for the Year Ended 31 March 2012

6 Balance Sheet - Reserves

Movements in ESEC's usable reserves are detailed in the Movement in Reserves Statement

Movements in ESEC's unusable reserves are detailed in the Movement in Reserves Statement and in note 2

7 Balance Sheet - Short Term Debtors

	2010/11	2011/12
	£	£
Local Authority	-	1,150
Other Entities and Individuals	-	270
	<u>-</u>	<u>1,420</u>

8 Balance Sheet - Short Term Creditors

	2010/11	2011/12
	£	£
Central Government Body	2,907	4,546
Local Authority	5,745	962
Other Entities and Individuals	870	1,969
	<u>9,522</u>	<u>7,477</u>

9 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.

10 Pension Costs (IAS 19)

Staff are employed by Aberdeen City Council and the resulting net pension liability is included in the Balance Sheet of Aberdeen City Council.

11 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.

Aberdeen City Council has recovered VAT on behalf of ESEC as has been the process in previous authorities. This amounts to £721 for 2012 (£748 - 2011). This has been retained as a payment towards the cost of accountancy services.

East of Scotland European Consortium Statement of Accounts

Statement on the System of Internal Financial Control

This statement is given in respect of the 2011/12 Statement of Accounts for the East of Scotland European Consortium. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by officers within ESEC. In particular, the system includes:

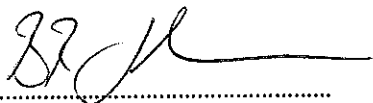
- regular reviews of periodic financial reports;
- the preparation of regular financial reports which indicate actual expenditure against targets.

ESEC uses the systems of the host council, i.e. Aberdeen City Council, for processing all financial transactions. These systems are subject to regular review and monitoring by Aberdeen City Council internal and external auditors.

During the year to 31 March 2012 no specific reviews or investigations for ESEC were carried out by either internal or external auditors.

My review of the effectiveness of the system of internal financial control is informed by the work of the Members and Officers of ESEC.

Having reviewed this work, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of ESEC's internal control system.



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Barry R Jenkins, B.Acc, CPFA, MBA
Treasurer
28 September 2012

East of Scotland European Consortium Glossary of Terms

CAP	Common Agricultural Policy
Capital Expenditure	This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising income from the sale of existing assets.
CIPFA	The Chartered Institute of Public Finance and Accountancy
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FP7	Framework 7 Programme
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
PMC	Programme Management Committee
Revenue Expenditure	This is expenditure incurred in providing services in the current year and which benefits that year only.
SeRCOP	Service Reporting Code of Practice for Local Authorities 2011/12