

West of Scotland Archaeology Service

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the West of Scotland Archaeology Service and Controller of Audit
September 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2018/19 annual accounts	7
Part 2 Financial sustainability and the annual governance statement	9
Appendix 1 Action plan 2018/19	11
Appendix 2 Significant audit risks identified during planning	12
Appendix 3 Summary of national performance reports 2018/19	13

Key messages

2018/19 annual accounts

- 1** In our opinion, the West of Scotland Archaeology Service's financial statements give a true and fair view and were properly prepared.
- 2** The management commentary is consistent with the financial statements.

Financial sustainability and the annual governance statement

- 3** The Service has established budget setting arrangements in place and has an adequate level of reserves in line with its reserves policy.
- 4** The information in the annual governance statement is consistent with the financial statement and complies with the relevant guidance.

Introduction

1. This report summarises the findings from our 2018/19 audit of the West of Scotland Archaeology Service (WoSAS).
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2019 meeting of the Joint Committee. This report comprises the findings from:
 - an audit of the WoSAS annual accounts
 - consideration of the financial sustainability and appropriateness of annual governance statement.

Adding value through the audit

3. We add value to WoSAS through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
4. In so doing, we aim to help WoSAS promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. WoSAS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. WoSAS is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice \(2016\)](#) and supplementary guidance and International Standards on Auditing in the UK.
7. As public-sector auditors we give independent opinions on the annual report and accounts and conclude on securing financial sustainability and appropriateness of the annual governance statement disclosures. In doing this, we aim to support improvement and accountability.
8. The [Code of Audit Practice 2016](#) (the Code) includes provisions relating to the audit of small bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the annual governance statement and the financial sustainability of the body and its services. As

highlighted in our 2018/19 Annual Audit Plan, due to the volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2018/19 audit.

9. The weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

11. We confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £1,970 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both WoSAS and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank the management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

In our opinion, WoSAS's financial statements give a true and fair view and were properly prepared.

The management commentary is consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the Joint Committee on 19 September 2019. We reported, within the independent auditor's report:

- an unqualified opinion on the financial statements
- the information in the management commentary and in the annual governance statement is consistent with the financial statements and has been prepared in accordance with the applicable requirements
- we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual accounts for audit

15. We received the unaudited accounts on 14th June 2019 in line with our agreed audit timetable.

16. The unaudited accounts provided for audit were complete and of a good standard and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risks of material misstatement

17. [Appendix 2](#) provides a description of areas we assessed as being at risk of material misstatement at the planning stage, how we addressed them and our conclusions thereon. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and how the efforts of the audit team were directed.

18. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. When deciding on what is material we consider both the amount and nature of the misstatement.

20. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 1](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

21. On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£3,000
Performance materiality	£2,250
Reporting threshold	£150

Source: Annual Audit Plan 2018/19

How we evaluate misstatements

22. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit (ISA 260)

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. There are no significant findings to report.

Objections

24. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities and associated local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. WoSAS complied with the regulations through the public notice published on Glasgow City Council's website. There were no objections to the accounts.

Follow up of prior year recommendations

25. One audit recommendation was made last year around establishing a formal service level agreement for ICT services. The council's move to a new ICT service provider in April 2018 has delayed the implementation of this recommendation. A revised response and timescale has been agreed with management and is set out in [Appendix 1](#).

Part 2

Financial sustainability and the annual governance statement



Main judgements

We concluded that WoSAS has established budget setting arrangements in place and an adequate level of reserves, in line with the service's policy.

We concluded that the information in the annual governance statement is consistent with the financial statements and complies with relevant guidance.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial performance in 2018/19

26. The main financial objective for WoSAS is to ensure that the financial outturn for the year is within the agreed budget. WoSAS ended 2018/19 with a surplus of £17,990 compared to a budgeted deficit of £8,455. This is mainly due a reduction of planned expenditure on staff costs.

Short term financial planning

27. WoSAS is funded primarily from subscriptions received from the constituent local authority members. The service's total gross expenditure budget for 2018/19 was £178,067. Actual expenditure for 2018/19 was £154,722 representing a saving of £23,345. This was due to an ongoing temporary reduction in staff costs.

28. Gross income for the year was £172,712 resulting in a net cost of services of £17,135. After interest and investment income of £855 was accounted for, WoSAS ended the year with a surplus of £17,990.

29. Reserves held by the service increased from £105,318 in 2017/18 to £123,308 in 2018/19 as a result of the surplus.

Medium to long term financial planning

30. The service meets twice a year, with the annual budget approved by members during the first meeting for the year ahead. Any revisions to the budget are approved at the second meeting of the service. The service does not receive regular budget monitoring reports and given the size of the service, this is not considered unreasonable. We are satisfied that WoSAS has appropriate arrangements for budgetary monitoring and control.

31. In prior years, the service actively reduced its reserve balance as a result of planned budgeted deficits on the provision of services. The reserves policy of the service is to hold sufficient reserves to reimburse the host authority for any transitional arrangements should the service be dissolved. The service reviewed its reserve policy in March 2018 and approved a minimum reserve level of £79,000 to be retained. We consider this to be a reasonable minimum level of reserves, given

the nature of the service. The minimum reserve level will be reviewed on an annual basis.

Annual Governance Statement

32. Our review of the annual governance statement assessed the assurances which are provided to the Executive Director of Finance, as Accountable Officer, regarding the adequacy and effectiveness of the system of internal control in operation in the financial year.

33. We concluded that the information in the annual governance statement is consistent with the financial statements and complies with relevant guidance.

Wider risks

34. The information included on the service's website is out of date, including details of the joint committee members, the list of annual reports available and the current WoSAS business plan. The service's audited accounts are published via the Glasgow City Council's website as the administering body, however the Service's website does not include any narrative to advise users of this.



Recommendation 1

The Service's website should be updated to ensure that the information available online is relevant and accurate.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Service's website</p> <p>From review of the WoSAS website, the information available appears to be out of date. The following information has not been updated:</p> <ul style="list-style-type: none"> • Joint Committee Members • List of annual reports • WoSAS Business Plan <p>WoSAS' audited accounts are published via Glasgow City Council's (the Service's administering body) website, however the website does not make reference to where these are available.</p>	<p>Recommendation</p> <p>The service's website should be refreshed to ensure that the information available online is relevant and accurate.</p> <p>Narrative should be included on the website that advises where users can access the service's audited accounts.</p> <p>Paragraph 34</p>	<p>The WoSAS Annual Reports have been mounted on the Service website.</p> <p>Hyperlinks to the list of members of the WoSAS Joint Committee and the WoSAS Audited Accounts will be checked and where necessary, updated.</p> <p>The other content of the WoSAS website will be reviewed and updated.</p> <p>Hugh McBrien Service Manager 31 October 2019</p>

Follow up of prior year recommendations

3	<p>SLA for ICT Provision</p> <p>WoSAS expenditure includes a recharge from CGI for ICT services provided. There is currently no SLA in place to set out the terms of this arrangement.</p>	<p>A formal service level agreement should be in place for ICT services provided, clearly setting out the terms of the arrangements.</p>	<p>Contract coverage of ICT service provision has yet to be finalised and agreed. A formal SLA arrangement with CGI will be pursued during 2019/20.</p> <p>Hugh McBrien Service Manager 31 March 2020</p>
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Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Journal entries were reviewed as part of the substantive testing of the financial statements. No evidence to suggest management was overriding controls was identified.</p> <p>No accounting estimates were made in preparing the financial statements.</p> <p>A sample of accruals was tested. No issues were identified.</p> <p>No significant transactions that were outside the normal course of business were identified during audit testing.</p> <p>No fraud concerns were identified in respect of management override of controls.</p>

Appendix 3

Summary of national performance reports 2018/19

2018/19 Reports

Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

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