

West of Scotland Archaeology Service

2020/21 Annual Audit Report



Prepared for West of Scotland Archaeology Service and the Controller of Audit
April 2022

Contents

Key messages	3
Introduction	4
Part 1. Audit of 2020/21 Annual Accounts	6
Part 2. Financial sustainability	9
Appendix 1: Action plan 2020/21	11
Appendix 2. Significant audit risks	13
Appendix 3. Summary of 2020/21 national performance reports	15

Key messages

2020/21 annual accounts

The West of Scotland Archaeology Service (WoSAS) financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The accounts were submitted for audit on 25 June 2021. Covid19 impacted on the auditing timetable for the 2020/21 financial statements which meant the accounts were signed off at the beginning of April 2022.

Financial sustainability

The Service has agreed proposals to reduce the level of reserves from the £150,465 held at 31 March 2021 to the reserve policy target of £92,000.

Introduction

1. This report summarises the findings from our 2020/21 audit of West of Scotland Archaeological Service (WoSAS).
2. The scope of our audit was set out in our Annual Audit Plan which was circulated to Joint Committee members in March 2021. This approach was taken as no formal meetings of the Joint Committee were held between February 2021 and November 2021 due to the COVID-19 pandemic.

This report comprises the findings from:

- an audit of the WoSAS annual accounts
- our consideration of financial sustainability.

3. The global coronavirus pandemic had a considerable impact on WoSAS during 2020/21. The service received substantially fewer requests for assistance or consultation responses than in previous years. However, this meant staff were able to respond more quickly and performance targets continued to be met. We did not identify any new audit risks arising from the impact of the pandemic.

Adding value through the audit

4. We add value to WoSAS through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - 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.
5. We aim to help WoSAS promote and improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. 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.

7. 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. Local government bodies have a responsibility to have arrangements in place to demonstrate Best Value in how they conduct their activities. Our audit work on WoSAS's Best Value arrangements is focussed on the body's use of resources to secure financial sustainability.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016 and supplementary guidance.

9. 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 governance statement and the financial sustainability of the body and its services. As highlighted in our 2020/21 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 2020/21 audit.

10. This report raises matters from our audit. 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.

11. 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.

Auditor Independence

12. 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 2020/21 audit fee of £2,060 as set out in our Annual Audit Plan, remains unchanged.

13. We are not aware of any relationships that could compromise our objectivity and independence.

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

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

Part 1. Audit of 2020/21 Annual Accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

The West of Scotland Archaeology Service (WoSAS) financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The accounts were submitted for audit on 25 June 2021. Covid19 impacted on the auditing timetable for the 2020/21 financial statements which meant the accounts were signed off at the beginning of April 2022.

Our audit opinions on the annual report and accounts are unmodified

16. The annual accounts for the year ended 31 March 2021 were approved by the Joint Committee on 6 April 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the applicable requirements.

There were delays in auditing the annual accounts due to impact of Covid-19

17. Our original final accounts timetable included delivery of proposed audit to a November meeting of WoSAS. However, as a result of Covid-19 we had to review our resource plans across all audits and reschedule our planned audit input to deliver our proposed audit opinion for the meeting of WoSAS in April 2022.

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

Overall materiality is £3,000

19. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

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

Source: Annual Audit Plan 2020/21

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

20. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and inform where the efforts of the team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

Significant findings from the audit in accordance with ISA260

21. 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. We have one significant finding to report around prior year expenditure. This finding is summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Prior Year Expenditure</p> <p>During the audit it was discovered that expenditure of £3,424 relating to 2019/20 was processed in 2020/21. Funding for this expenditure was received in 2019/20. Therefore, the 2019/20 accounts should have included an accrual of £3,424 in relation to this expenditure.</p>	<p>A prior period adjustment was included in the 2020/21 annual accounts and explanatory narrative included in a note to the accounts.</p> <p>Prior year expenditure disclosed in the 2020/21 accounts was restated to include the additional £3,424 expenditure, and a corresponding increase reflected in the restated creditor's balance. The restated closing 2019/20 reserves balance was reduced by £3,424.</p> <p>Expenditure in 2020/21 was reduced by £3,424.</p>

Source: Audit Scotland

Identified misstatements of £3,424 were adjusted in the accounts, which breached materiality, but we did not need to revise our audit approach

22. As noted in [Exhibit 2](#), a misstatement totalling £3,424 was identified during the audit and the necessary prior year adjustments have been reflected in the audited financial statements. The impact on the comprehensive income and expenditure statement was to increase expenditure and reduce the surplus for 2019/20 and decrease expenditure and increase the surplus for 2020/21. The net impact on the balance sheet was nil. We have concluded that the misstatement identified arose from an isolated issue and identified in its entirety and does not indicate further systemic error.

Part 2. Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services

Main judgements

The Service has agreed proposals to reduce the level of reserves from the £150,465 held at 31 March 2021 to the reserve policy target of £92,000.

Financial planning

23. The Joint Committee 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 Joint Committee.

24. The Joint Committee does not receive regular budget monitoring reports given the size and nature of the service. However, we are satisfied that the arrangements in place for budgetary monitoring and control are reasonable and appropriate.

Financial position

25. WoSAS is funded primarily from subscriptions received from the constituent local authority members.

26. The 2020/21 accounts report a surplus of £4,092 against a budgeted deficit of £5,271. The surplus has been attributed to a temporary reduction in hours worked by one of the employees. At 31 March 2021 the Service held reserves of £150,465.

27. In November 2021 the Service agreed an update reserve policy with a targeted level of reserves of £92,000. Committee approval has been sought and granted to allow a drawdown from the reserves to allow the recruitment of a junior member of staff as part of the intended restructuring of the Service and to facilitate succession planning, reducing the balance of usable reserves to a level closer to that recommended by the reserve policy

28. As part of our 2021/22 audit, we will review the Service's progress in delivering on its reserve policy.

Annual Governance Statement

29. Our review of the host authority's 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. In addition, we reviewed the assessment provided by Glasgow City Council's internal auditor which concluded that reasonable assurance could be placed on the control environment. These controls also apply to WoSAS.

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

Limited progress was made on prior year recommendations

31. In previous years we have highlighted that a number of key strategic documents had not been updated in some time. Such documents include the Minute of Agreement, Business Plan, Service level Agreement and ICT Service Level Agreement. We have also highlighted in previous years that such information held on the WoSAS website has not been updated.

32. The Service continues to work on these matters however progress has been adversely affected by the impact of the Covid-19 pandemic. Officers advise that, while progress has been slow, there has been no significant change to the 2014-17 business model.

33. Without a current and clearly documented strategy, business model and service level agreements there is a risk that the strategic objectives of the Service are not delivered.



Recommendation 1

Key strategic documents should be updated and approved. Where appropriate, copies of these updated strategic documents should be made available on the Service's website.

National performance audit reports

34. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. [Appendix 3](#) highlights a number of the reports published in 2020/21.

Appendix 1: Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Strategic Documents</p> <p>A number of key strategic documents have not been kept up to date.</p> <p>These include:</p> <ul style="list-style-type: none"> - Minute of Agreement - Business Plan - Service level Agreement - ICT Service Level Agreement <p>Information held on the Service's website has not been updated.</p> <p>Risk – Without a current and clearly documented strategy, business model and service level agreements there is a risk that the strategic objectives of the Service are not delivered.</p>	<p>Key strategic documents should be updated and approved. Where appropriate, copies of these updated strategic documents should be made available on the Service's website</p> <p>33.</p>	<p>Where the preparation and updating of key documents has been interrupted during the Covid pandemic response period, the Manager and Officer Steering Group will review the member councils' needs and aspirations towards building greater resilience into the Service and take these forward in revisions to the relevant documents during the next Financial Year</p>

Outstanding prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>2. (18/19) Service's website</p> <p>From review of the WoSAS website, the information</p>	<p>The service's website should be refreshed to ensure that the information available</p>	<p>See Recommendation 1</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>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>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>3. (17/18) 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>See Recommendation 1</p>

Appendix 2. Significant audit risks

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.

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>ISA(UK) 240 requires that audits are planned to consider the risks of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Detailed testing of journal entries.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>We did not identify any indicators of management bias or management fraud.</p> <p>Our testing of journals did not identify any material issues.</p> <p>Our testing of accruals and prepayments and significant transactions outside the normal course of business was satisfactory – no issues were identified.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>2. Strategic Documents</p> <p>WoSAS has been working towards reviewing and updating a number of key strategic documents for some time. While some progress has been made, a number of documents have not yet been approved by the Joint Committee. These include:</p>	<p>Review of updates to Service Members.</p> <p>Ongoing dialogue with officers.</p> <p>Review of related disclosures.</p> <p>Comment and, where appropriate, make recommendations in 2020/21 Annual Audit Report.</p>	<p>The current pandemic has impacted on the ability of the service to progress these matters. Therefore, little progress has been made since our review as part of the 2019/20 audit.</p> <p>(See para 31)</p>

Audit risk	Assurance procedure	Results and conclusions
<ul style="list-style-type: none"> • Minute of Agreement - changes to membership means not all current members are signatures to the MoA and its commitments e.g. around contributions. • Business Plan - with no approved business plan since 2017 there is a risk of a lack of clarity around strategic direction. • Service Level Agreement (SLA) - member councils may not receive the expected level of service. • Service Level Agreement for ICT Provision (SLA IT) - recharge levels to CGI for providing IT services have not been formally agreed. <p>There is a risk that the Service's strategic direction and its relationship with member bodies is not clearly articulated.</p>		

Appendix 3. Summary of 2020/21 national performance reports

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

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