

# West of Scotland Archaeology Service

Annual Audit Plan 2019/20



 AUDIT SCOTLAND

Prepared for West of Scotland Archaeology Service

March 2020

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# Risks and planned work

**1.** This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit

**2.** The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

## Adding value

**3.** We aim to add value to the West of Scotland Archaeology Service (WoSAS) through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. We will seek early engagement with WoSAS on any critical accounting issues and challenges that may arise the accounts are prepared and/or during the course of the audit. In so doing, we intend to help the WoSAS promote improved standards of governance, better management and decision making and more effective use of resources.

## Audit risks

**4.** Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant risk for WoSAS. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1 2019/20 Significant audit risks

	 Audit Risk	Source of assurance	Planned audit work
<b>Financial statements risks</b>			
1	<b>Management override of controls</b> ISA 240 requires that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.	Owing to the nature of this risk, assurances from management are not applicable in this instance.	Detailed testing of journal entries.  Assessment of the estimation methodology applied by WoSAS and the reasonableness of estimates contained in the financial statements.  Focused testing of accruals and prepayments.  Evaluation of significant transactions that are outside the normal course of business.

	 Audit Risk	Source of assurance	Planned audit work
<b>Wider Dimension Issues and Risks</b>			
2	<p><b>Strategic Documents</b></p> <p>The Service 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> <ul style="list-style-type: none"> <li>• Minute of Agreement - changes to membership means not all current members are signatures to the MoA and its commitments e.g. around contributions.</li> <li>• Business Plan - with no approved business plan since 2017 there is a risk of a lack of clarity around strategic direction.</li> <li>• Service Level Agreement (SLA) - member councils may not receive the expected level of service.</li> <li>• Service Level Agreement for ICT Provision (SLA IT) - recharge levels to CGI for providing IT services have not been formally agreed.</li> </ul> <p>There is a risk that the Service's strategic direction is not clearly articulated.</p>	<p>Officers have advised that there has been no significant change to the strategic documents and that WOSAS's strategic direction and business model as set out in existing documents still applies.</p> <p>The refreshed SLA has been agreed at officer level.</p>	Continue to monitor progress in reviewing and approving strategic documents.

Source: Audit Scotland

**5.** As set out in ISA 240, there is a presumed risk of fraud in the recognition of income. There is a risk that income may be misstated resulting in a material misstatement in the financial statements. We have rebutted the risks of material misstatement caused by fraud in income recognition in 2019/20 because WoSAS receives income by way of member contributions. The simplicity of these transactions limits the opportunity for manipulation.

**6.** In line with Practice Note 10, as most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. We have rebutted the risk of material misstatement caused by fraud in expenditure in 2019/20 because WoSAS's expenditure is primarily related to employee costs. The controls in place around the payroll system limit the opportunity for manipulation.

## Reporting arrangements

**7.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**8.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

**9.** We will provide an independent auditor's report to WoSAS and the Accounts Commission setting out our opinions on the annual accounts. We will provide WoSAS and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

## Exhibit 2

### 2019/20 Audit outputs

Audit Output	Target date	Committee Date
Annual Audit Plan	6 March 2020	26 March 2020
Independent Auditor's Report	30 September 2020	September 2020 (TBC)
Annual Audit Report	30 September 2020	September 2020 (TBC)

Source: Audit Scotland

## Audit fee

**10.** The proposed audit fee for the 2019/20 audit of WoSAS is £2,020 (18/19: £1,970). In determining the audit fee, we have taken account of the risk exposure of WoSAS, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited annual accounts, with a complete working papers package no later than 30 June 2020.

**11.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises out with our planned audit activity.

## Responsibilities

### Joint Committee and Executive Director of Finance

**12.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**13.** The audit of the annual accounts does not relieve management or the Joint Committee, as those charged with governance, of their responsibilities.

### Appointed auditor

**14.** Our responsibilities as independent auditors are established by the 1973 Act for local government and the Code of Audit Practice (including supplementary guidance) and guided by the Financial Reporting Council's Ethical Standard.

**15.** Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Annual accounts

**16.** The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of WoSAS and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how WoSAS will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**17.** We will give an opinion on whether the financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of Practice on Local Authority Accounting in the United Kingdom (the 2019/20 Code) of the state of affairs of WoSAS as at 31 March 2020 and of the income and expenditure for the year then ended
- have been properly prepared in accordance with the IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



## Statutory other information in the annual accounts

**18.** We also review and report on statutory other information published within the annual accounts including the management commentary and the annual governance statement. We give an opinion on whether these have been compiled in accordance with the appropriate regulations and frameworks in our independent auditor's report.

**19.** We also review any information in the annual accounts other than the financial statements and report any uncorrected material misstatements .

## Materiality

**20.** We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinions in the independent auditor's report.

**21.** We calculate materiality at different levels as described below. The calculated materiality values for WoSAS are set out in [Exhibit 3](#).

## Exhibit 3

### Materiality values

Materiality	Amount
<b>Planning materiality</b> – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. We have set this at 2% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts for 2018/19.	£3,100
<b>Performance materiality</b> – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 75% of planning materiality.	£2,300
<b>Reporting threshold (i.e., clearly trivial)</b> – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 5% of planning materiality.	£150

Source: Audit Scotland

## Timetable

**22.** To support the efficient use of resources it is critical that the annual accounts timetable is agreed with us to produce the unaudited accounts. We have included an agreed timetable at [Exhibit 4](#).

## Exhibit 4

### Annual accounts timetable

Key stage	Date
Consideration of unaudited annual report and accounts by those charged with governance	By end of August 2020
Latest submission date of unaudited annual report and accounts with complete working papers package	30 June 2020
Latest date for final clearance meeting with Executive Director of Finance	By end of August 2020
Issue of Letter of Representation and proposed Independent Auditor's Report	Early September 2020
Issue of Annual Audit Report including ISA 260 report to those charged with governance	Early September 2020
Agreement of audited unsigned annual accounts	Early September 2020
Independent auditor's report signed	By end of September 2020

## Internal audit

**23.** Internal audit is provided by the internal auditors of Glasgow City Council. As part of our planning process we carry out an annual assessment of the internal audit function to ensure that it operates in accordance with the main requirements

of the Public Sector Internal Audit Standards (PSIAS). We will report any significant findings to management on a timely basis.

## Audit dimensions

**24.** Our standard audits are based on four audit dimensions that frame the wider scope of public sector audit requirements. These are: financial sustainability, financial management, governance and accountability and value for money.

**25.** The Code of Audit Practice 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. In the light of the volume and lack of complexity of the financial transactions, we plan to apply the small body provisions of the Code to the 2019/20 audit of the WoSAS.

**26.** We will, therefore, undertake annual audit work on the wider scope that enables conclusions to be reached on:

- the appropriateness of the disclosures in the annual governance statement
- the financial sustainability of WoSAS and the services it delivers over the medium to long term.

**27.** We will review the annual governance statement and assess the financial sustainability of WoSAS as part of our financial statements audit. Conclusions on these matters will be reported accordingly in our Annual Audit Report.

## Independence and objectivity

**28.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

**29.** The engagement lead for WoSAS is Stephen O’Hagan, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the West of Scotland Archaeology Service.

## Quality control

**30.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

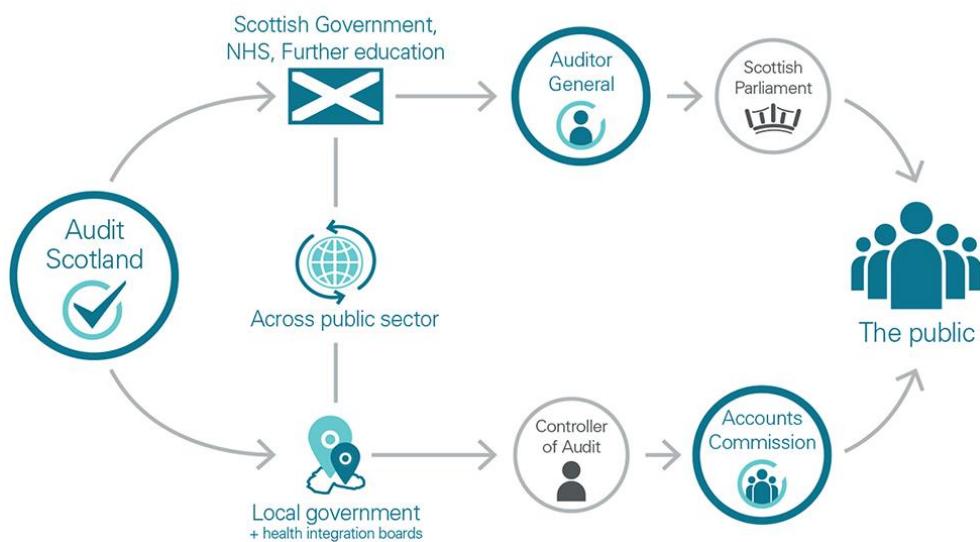
**31.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

**32.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Appendix 1: 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.

# West of Scotland Archaeology Service

## Annual Audit Plan 2019/20

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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