

West of Scotland Archaeology Service

2019/20 Annual Audit Report



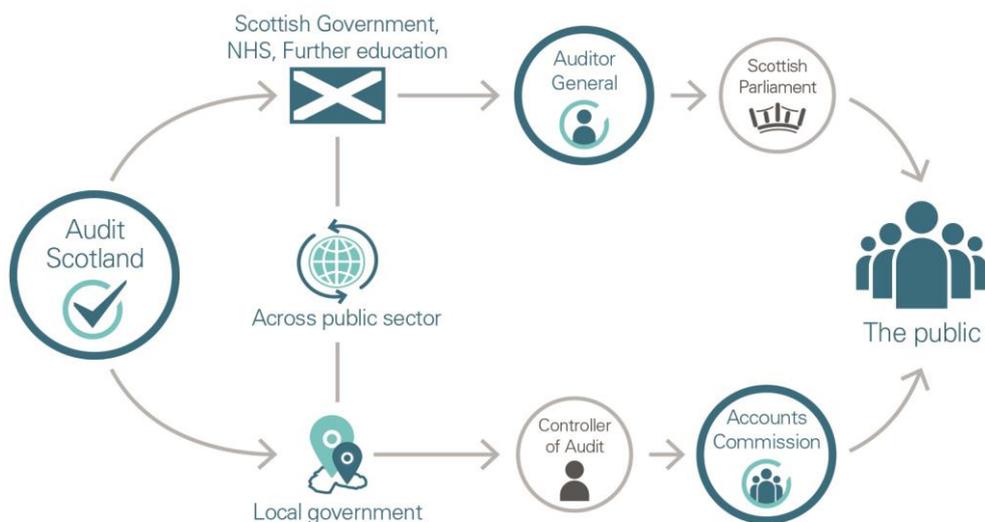
 AUDIT SCOTLAND

Prepared for West of Scotland Archaeology Service and the Controller of Audit
February 2021

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.

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Key messages

2019/20 annual accounts

- 1** 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.
- 2** COVID-19 impacted on both the accounting and auditing timetable for the 2019/20 financial statements. The accounts were submitted for audit on 19 August and signed off at the end of February 2021.

Financial sustainability

- 3** The level of reserves held by WoSAS increased again in 2019/20 to a level significantly greater than the target outlined earlier in the year. The service is currently reviewing its reserves strategy.

Introduction

1. This report summarises the findings from our 2019/20 audit of the West of Scotland Archaeology Service (WoSAS).
2. The scope of our audit was set out in our Annual Audit Plan which was made available for Joint Committee members to view in March 2020. This approach was taken as no formal meetings of the Joint Committee were held until November 2020 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. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, WoSAS has had to respond to the COVID-19 pandemic. This impacted on the final month of the year and will continue to have significant impact into financial year 2020/21. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements.

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. 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

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 bodies 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 annual governance statement and the financial sustainability of the body and its services. As highlighted in our 2019/20 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 2019/20 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 2019/20 audit fee of £2,020 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 2019/20 Annual Accounts



Main judgements

WoSAS's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

COVID-19 impacted on both the accounting and auditing timetable for the 2019/20 financial statements. The accounts were submitted for audit on 19 August and signed off at the end of February 2021.

Our audit opinions on the annual accounts are unmodified

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

17. The annual accounts for the year ended 31 March 2020 were approved by the Joint Committee on 25 February 2021. We reported, within the independent auditor's report, that:

- 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 consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The annual accounts were signed off late as a consequence of the COVID-19 pandemic

18. Schedule 6 of the Coronavirus Act (Scotland) 2020 allows each local government body to determine its own revised timetable for annual accounts. Officers supporting WoSAS were unable to deliver unaudited financial statements in accordance with the planned timetable, due to physical limitation on access to records and systems, as well as other priorities. Unaudited accounts were received for audit on 19 August 2020.

19. Our original final accounts timetable included delivery of proposed audit opinions to a September 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 a special meeting of WoSAS in January 2021.

20. The unaudited annual 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.

21. Statutory guidance issued in response to COVID-19 permits, but does not require, local government bodies to disapply a number of content requirements for the management commentary. WoSAS has chosen not to make use of this option.

Overall materiality is £3,100

22. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

23. On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that no changes were required to our planned levels.

Exhibit 1 Materiality values

| | |
|-------------------------|--------|
| Overall materiality | £3,100 |
| Performance materiality | £2,300 |
| Reporting threshold | £150 |

Source: Annual Audit Plan 2019/20

Risks of material misstatement and our audit work to address these

24. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual report and accounts. It also summarises the work we have done to gain assurance over the outcome of these risks.

25. We have no issues to report from our work on the risks of material misstatement.

Significant findings from the audit in accordance with ISA260

26. 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. We have one significant finding to report around the disclosure of an accrual. This finding is summarised in [Exhibit 2](#).

Exhibit 2 Significant findings from the audit of the financial statements

| Finding | Resolution |
|--|--|
| <p>1. Pay accrual</p> <p>As there is a staff pay run which falls early in 2020/21 but which also covers (in part) 2019/20, an accrual is necessary. This accrual was correctly posted to the gross expenditure line in the Comprehensive Income and Expenditure Statement and to the staff cost line in the supporting note 3</p> | <p>After considering the finding, WoSAS opted to put through an adjustment to the accounts. This involved increasing both receivables and payables balances in the balance sheet, hence had no impact on the net assets position. Upon further consideration it was also found that there was a material misstatement in 2018/19</p> |

| Finding | Resolution |
|--|--|
| <p>of the accounts. The value of the pay accrual was £6,504 and was therefore material.</p> <p>The opposite side of this transaction was set-off against the receivables balance relating to funds owed to WoSAS by Glasgow City Council in the balance sheet. The Code of Practice on Local Authority Accounting only allows for such a set-off when particular conditions have been met. WoSAS could not demonstrate how, in this case, these conditions had been met, therefore the accrual should not have been off-set but should have been shown gross in the balance sheet.</p> | <p>(£10,069). A prior-period adjustment was subsequently posted with explanatory narrative added to the annual accounts.</p> |

Source: Audit Scotland

Identified misstatements of £6,504 were adjusted in the accounts, which breached materiality, but we did not need to revise our audit approach

27. As noted in [Exhibit 2](#), misstatements totalling £6,504 were identified during the audit and necessary amendments have been reflected in the audited financial statements. The net impact of correcting these misstatements on the balance sheet was nil. We have concluded that the misstatements identified arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

Limited progress was made on prior year recommendations

28. WoSAS has made some progress in implementing our prior year audit recommendations, but this has been impacted by the COVID-19 pandemic. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial sustainability



Main judgements

The level of reserves held by WoSAS increased again in 2019/20 to a level significantly greater than the target outlined earlier in the year. The service is currently reviewing its reserves strategy.

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 planning

29. As we have observed in prior years, 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. There were no revisions in 2019/20.

30. The Joint Committee does not receive regular budget monitoring reports given the size and nature of the service. We are satisfied that WoSAS has reasonable and appropriate arrangements for budgetary monitoring and control.

Financial position

31. WoSAS is funded primarily from subscriptions received from the constituent local authority members. In our 2018/19 annual audit report we noted that reserves had increased from £105,318 in 2017/18 to £123,308 in 2018/19 as a result of the generated surplus. At a meeting on 28th March 2019, the Joint Committee agreed to a budgeted deficit of £5,271, for 2019/20, to manage down the level of retained reserves.

32. In March 2020, the Joint Committee approved a proposed reserve level of £82,000 as part of the service's financial strategy. It was felt that this level of reserve would address the financial costs of any foreseeable "worst case scenario" that might affect the service. However, the 2019/20 accounts report a surplus of £26,489 which has resulted in the level of reserves increasing to £149,797. The WoSAS 2019/20 annual report attributed this outturn to reduced salary and employee-related costs arising from a continuing temporary change to staff work rostering.

33. At the Joint Committee meeting of November 2020, it was also noted that the COVID-19 pandemic had halted some fee-generating services for six months of the 2020/21 financial year. Consequently, the service intends to update its reserves strategy going forward. We will review this updated strategy as part of our 2020/21 audit.

Annual Governance Statement

34. 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.

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

National performance audit reports

36. 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 2019/20. Although no reports are directly relevant to WoSAS, reports such as the 'Local Government in Scotland: Financial Overview' will be indirectly of interest.

Appendix 1

Action plan 2019/20



No.

Issue/risk

Recommendation

Agreed management
action/timing

Outstanding prior year recommendations

| | | | |
|------------------------------------|---|--|--|
| <p>18/19 (1)</p> | <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>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>In progress – working restrictions imposed during the pandemic has limited the ability to transfer files securely to the server hosting the website. Some key documents such as annual reports are currently accessible through GCC website. Ongoing hardware refresh should allow completion of this by March 2021.</p> |
| <p>17/18 (3)</p> | <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>In progress – a planned review has not taken place in the current climate, due to CGI focusing on ensuring appropriate levels of remote working capability across the council and partners.</p> |

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.

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| Risks of material misstatement in the financial statements | | |
| <p>1 Management override of controls</p> <p>ISA 240 requires that audits be 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.</p> | <p>Detailed testing of journal entries.</p> <p>Assessment of the estimation methodology applied by WoSAS and the reasonableness of estimates contained in the financial statements.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> | <p>Results: All journal entries were found to be reasonable with the only issue found relating to the setting off of the pay accrual against the receivables balance for funds owed to WoSAS by Glasgow City Council. As such this did not impact on the net assets position.</p> <p>Conclusion: Satisfactory – no evidence of management override of control.</p> |
| Wider Dimension Issues and Risks | | |
| <p>2 Strategic Documents</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.</p> <p>These include:</p> <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 | <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> | <p>Results: The current pandemic has impacted on the ability of the service to progress these matters, including committee approval. A renewed Minute of Agreement (MoA) has been prepared and reflects an updated specification of service delivery. This agreement, along with updated Service Level Agreement (SLA) documentation, will be presented to the committee for approval during 2021. These documents will also be used in the interim in lieu of an updated business plan.</p> <p>The planned review of the ICT SLA has not taken place in the current climate, due to CGI focusing on ensuring appropriate levels of remote working capability across the council and partners.</p> <p>Conclusion: although these matters have still to be completed, there has been no significant change to the previous</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|---|---------------------|--|
| <p>not receive the expected level of service.</p> <ul style="list-style-type: none">• Service Level Agreement for ICT Provision (SLA IT) - recharge levels to CGI for providing IT services have not been formally agreed. There is a risk that the Service's strategic direction is not clearly articulated. | | <p>business model and the updated documents provide a framework for service delivery. We will review progress on completion of these matters as part of the 2020/21 audit.</p> |

Appendix 3

Summary of national performance reports 2019/20



| | | 2019/20 Reports | |
|--|--|-----------------|--|
| | | Apr | |
| Social security: Implementing the devolved powers | | May | |
| Scotland's colleges 2019 | | Jun | Enabling digital government |
| | | Jul | |
| NHS workforce planning - part 2 | | Aug | |
| Finances of Scottish universities | | Sept | |
| NHS in Scotland 2019 | | Oct | |
| | | Nov | |
| Local government in Scotland: Financial overview 2018/19 | | Dec | |
| Scotland's City Region and Growth Deals | | Jan | Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models |
| | | Feb | |
| | | Mar | Early learning and childcare: follow-up |

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