

West of Scotland Archaeology Service

2016/17 Annual
Audit Report



 AUDIT SCOTLAND

To members of West of Scotland Archaeology Service Joint Committee and the Controller of Audit

21 September 2017

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

Audit of the 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, management commentary and the annual governance statement.

Financial management

- 2 WoSAS has established budget setting arrangements in place which are appropriate to the nature of the organisation.

Financial sustainability

- 3 WoSAS has an adequate level of reserves in line with its reserves policy. WoSAS has been actively reducing its level of usable reserves in line with the reserves policy.
- 4 Two member authorities have given notice to leave WoSAS and in their absence budgets will come under increasing pressure in the future.

Governance and transparency

- 5 WoSAS has appropriate arrangements in place to support scrutiny of activities and approval of annual budgets.
- 6 WoSAS is open and transparent in the way that it conducts its business. Meetings are held in public and minutes of committee meetings and agenda papers are available via the Glasgow City Council website for public inspection.

Value for money

- 7 WoSAS demonstrates value for money in the use of its resources by achieving economies of scale for the member authorities.

Introduction

1. This report is a summary of the findings arising from the 2016/17 audit of the West of Scotland Archaeology Service (WoSAS).

2. The scope of the audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the WoSAS Joint Committee. This report comprises:

- an audit of the annual report and accounts
- consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- an interim audit of the WoSAS governance arrangements
- an audit of the WoSAS 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions.

4. WoSAS is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the [Code of Audit Practice 2016](#) guided by the auditing profession's ethical guidance.

- 6.** As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within WoSAS to manage its performance and use of resources such as money, staff and assets.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).
- 8.** This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.
- 9.** Our annual audit report contains an action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** 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.
- 12.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, management commentary and annual governance statement.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 were approved by the Joint Committee on 21 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary and annual governance statement.

14. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

Submission of the WoSAS annual accounts for audit

15. We received the unaudited annual accounts on 28 June 2017, in line with the audit timetable set out in our 2016/17 annual audit plan.

16. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the final accounts process ran smoothly.

Risk of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also included within the appendix are wider dimension risks, how we addressed these, and conclusions.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and was reported in our annual audit plan. Upon receipt of the unaudited accounts, materiality levels were revised,

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

as summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. Following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£1,700
Performance materiality – 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 90% of overall materiality.	£1,500
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£100

Evaluation of misstatements

21. There were no misstatements which had an impact on the unaudited financial statements.

Significant findings

22. International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA260.

Going concern

23. The financial statements of WoSAS have been prepared on a going concern basis.

Other findings

24. Our audit identified a small number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

25. From our financial statements audit expenditure testing we identified that a number of travel claims which related to the prior year and had been paid in 2016/17. Travel expenses are claimed in arrears and WoSAS does not normally accrue for these. Whilst the value of these claims were not material and expenditure was legitimate, travel claims should be submitted in a more timely manner to ensure backlogs of expense claims do not build up.

Recommendation 1

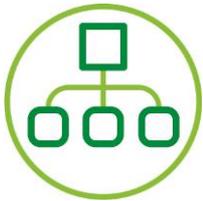
WoSAS should ensure travel expense claims are submitted on a more regular basis to avoid a backlog of arrears.

Pre audit inspection and objections to the accounts

26. The Local Authority Accounts (Scotland) Regulations 2014 require bodies to publish a public notice on its 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 and the notice was published on the Glasgow City Council website. No objections were received to the WoSAS accounts.

Part 2

Financial management



Main judgements

WoSAS has established budget setting arrangements in place which are appropriate to the nature of the organisation.

Financial performance in 2016/17

27. WoSAS is funded primarily from subscriptions from the constituent local authority members. Local authorities provided £128,095 of funding in 2016/17 with additional funds coming from fees and charges for services. Expenditure for the running of the service relates mainly to staffing costs.

28. Total expenditure of £164,638 was incurred in the financial year, £11,923 less than budget. After accounting for income, a deficit of £5,060 was incurred on provision of services.

29. WoSAS has recognised a risk to the service around maintaining income levels from fees and contributions. Consequently a decision was made to utilise existing reserves to fund this deficit. As a result reserves held by WoSAS reduced from £100,013 at 31 March 2016 to £94,953 at 31 March 2017.

Budgetary monitoring and control

30. The Joint Committee meets twice a year. At the first meeting the annual budget is approved by members for the year ahead. Any revisions to the budget are approved at the second meeting of the Joint Committee.

31. The committee does not receive regular budget monitoring reports during the year. However, given the size of WoSAS, this is not considered unreasonable.

32. Our audit testing of WoSAS expenditure identified a recharge to the service from Access for ICT services provided. The transaction is a historical charge and is not supported by a Service Level Agreement (SLA) between the two parties.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Recommendation 2

A formal service level agreement should be in place for ICT services provided, clearly setting out the terms of the arrangements.

33. Overall, we are satisfied with the arrangements in place for budgetary monitoring and control.

Internal controls

34. As part of our audit we assess the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that WoSAS has systems for recording and processing transactions which provide a sound basis for the preparation of the financial statements.

35. WoSAS uses the financial systems of Glasgow City Council to prepare its annual accounts. As part of our audit of Glasgow City Council we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements, including payroll, accounts receivable and accounts payable. Our objective was to obtain evidence to support our opinion on the WoSAS financial statements.

36. In our internal report to the council, which was issued in July 2017, we concluded that the key controls were operating effectively. No significant control weaknesses were identified which could affect WoSAS's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

37. As part of their annual report for 2016/17, internal audit also concluded that reasonable assurance could be provided on the governance and internal control environment operating during the financial year.

Prevention and detection of fraud

38. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. As lead authority, Glasgow City Council's fraud prevention procedures apply to WoSAS. We reviewed the fraud arrangements at Glasgow City Council and concluded that these were adequate.

39. We are satisfied that WoSAS has adequate arrangements in place for the prevention and detection of fraud, although it is acknowledged that no system can eliminate the risk of fraud entirely.

Part 3

Financial sustainability



Main judgements

WoSAS has an adequate level of reserves in line with its reserves policy. WoSAS has been actively reducing its level of usable reserves in line with the reserves policy.

Two member authorities have given notice to leave WoSAS and in their absence, budgets will come under increasing pressure in the future.

Financial planning and funding position

40. WoSAS is primarily funded by subscriptions from the member local authorities. Member contributions in 2016/17 totalled £128,000, or 80% of the £159,000 gross income for the year.

41. In March 2016, East Renfrewshire Council and South Lanarkshire Council indicated their intention to leave the service, triggering the required two year notification period.

42. In 2016/17 these two councils accounted for over £25,000 (20%) of the total member contributions. If they continue with their stated intention of leaving the service at the end of March 2018, WoSAS will face reduced levels of income and additional budgetary pressures in order to maintain service delivery.

43. In March 2017, WoSAS reviewed its reserves policy and the Joint Committee approved a minimum level of £77,000 reserves to be retained. We consider this to be a reasonable minimum level of reserves, given the nature of the service.

44. The year end reserve balance at 31 March 2017 was £94,953, well within the minimum agreed levels. WoSAS have actively reduced reserve balances in each of the past two years as a result of planned budgeted deficits on the provision of services. This may not be sustainable in the long term given that two member councils have given notice to leave the service. WoSAS will need to find ways to achieve a balanced budget and minimise the dependence on reserves.

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.

Recommendation 3

WoSAS should consider what options are available going forward to achieve a balanced budget and maintain existing reserves in light of members leaving the service.

Part 4

Governance and transparency



Main judgements

WoSAS has appropriate arrangements in place that support scrutiny of activities undertaken and approval of annual budgets.

WoSAS is open and transparent in the way that it conducts its business. Meetings are held in public and minutes of committee meetings and agenda papers are available via the Glasgow City Council website for public inspection.

Governance arrangements

45. Members and management of WoSAS are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

46. WoSAS comprises of members from the ten subscribing local authorities. As lead authority, Glasgow City Council's local Code of Corporate Governance has been adopted by the service.

47. From the work we have undertaken as part of our audit we concluded that WoSAS has adequate systems of governance and internal control.

Management commentary and annual governance statement

48. The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires WoSAS to prepare and publish, along with its financial statements, an annual governance statement and management commentary that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

49. Based on our knowledge of WoSAS and work undertaken as part of the audit, we concluded that the management commentary and annual governance statement are consistent with the financial statements.

Internal audit

50. Internal audit provides senior management and elected members with independent assurance on WoSAS's overall risk management, internal control and corporate governance processes.

51. The internal audit function is carried out by the internal audit section of Glasgow City Council. We carried out a review of the adequacy of the internal audit function as part of our work on the Glasgow City Council audit. We concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

52. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we relied on aspects of internal audit's work on accounts payable and system access.

53. As part of our wider dimension work we considered internal audit reports on risk management, financial transactions and financial monitoring. There were no issues identified by internal audit that would have an impact on our audit work.

Transparency

54. Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Joint Committee is taking decisions and how it is using resources such as money, people and assets.

55. There is evidence from a number of sources which demonstrate the Joint Committee's commitment to transparency. Members of the public can attend meetings of the Joint Committee and minutes of these committee meetings and supporting papers are readily available on the Glasgow City Council website.

56. The registers of interests for each of the committee members are publicly available on the website of the respective member's local authority.

57. WoSAS makes its annual accounts available on the Glasgow City Council website. These include a management commentary which provides details of financial performance and risks and uncertainties facing WoSAS.

58. Overall, we concluded that WoSAS conducts its business in an open and transparent manner.

Part 5

Value for money



Main judgements

WoSAS demonstrates value for money in the use of its resource by achieving economies of scale for the member authorities.

Value for Money

59. The primary purpose of WoSAS is to provide planning related archaeological advice to member councils.

60. The service was established in 1997 with the specific aim of providing a cost-effective vehicle for member local authorities to discharge their responsibilities for the historic environment.

61. The service curates a detailed Historic Environment Record (HER) which is used by the service, and includes selected data which is made available online to the public. On a daily basis, the service also responds to enquiries from members of the public.

62. The maintenance of such specialised services on a shared basis benefits from economies of scale including compliance with licensing and software costs and maintaining and developing specialised skill-sets.

Performance Management

63. Performance management reports are not received by the Joint Committee. However, taking cognisance of the size of WoSAS, we do not consider that this is unreasonable.

64. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. These are outlined in [Appendix 3](#). WoSAS do not consider these as part of their committee processes, however arrangements are in place at Glasgow City Council, the lead authority, to ensure relevant reports are considered by members.

Value for money is concerned with using resources effectively and continually improving services.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<p>1. Travel expense claims</p> <p>Our expenditure testing identified a number of travel expense claims which related to the prior year and were paid in 2016/17. In some cases these claims were up to 4 months old.</p>	<p>WoSAS should ensure travel expense claims are submitted on a more regular basis to avoid a backlog of arrears.</p>	<p>The WoSAS Manager confirmed a request has been sent to staff to submit travel claim on a more regular basis.</p> <p>WoSAS Service Manager</p> <p>Agreed date: September 2017</p>
10	<p>2. SLA for ICT provision</p> <p>WoSAS expenditure includes a recharge from Access 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>Following the forthcoming changes to the council's ICT service provision contract which will be implemented in April 2018, further consideration will be given to an SLA arrangement for the service.</p> <p>Group Manager Development Plan / WoSAS Service Manager</p> <p>Agreed date: June 2018</p>
12	<p>3. Future funding</p> <p>WoSAS has actively reduced its reserves to bring them in line with its reserves policy.</p> <p>As two councils have given notice to leave the service in 2018. WoSAS will face reduced levels of income and additional budgetary pressures in order to maintain service delivery.</p>	<p>WoSAS should consider what options are available going forward to achieve a balanced budget and maintain existing reserves in light of members leaving the service.</p>	<p>The WoSAS Committee is not scheduled to meet again after the September 2017 meeting until March 2018 when the Steering group will present its recommendations. Subject to committee approval a meeting will be held in January 2018 to consider the proposals, if the two notifications to leave the service are not withdrawn by December 2017.</p> <p>Group Manager Development Plan / WoSAS Service Manager</p> <p>Agreed date: March 2018</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 opinion on the financial statements.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1</p> <p>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 in order 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 was identified to suggest management was overriding controls.</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>
Wider Dimension Risks		
<p>2</p> <p>Financial Sustainability</p> <p>In 2016, 2 member councils submitted notices to withdraw from the service, subject to a review of options for service delivery.</p> <p>As WoSAS is funded by member contributions this presents a risk to the future viability of the service under its current structure.</p>	<p>Review of committee papers and minutes of meetings to monitor developments</p> <p>Discussion with officers on the financial sustainability of the service</p> <p>Assessment of medium to long-term financial and business planning.</p>	<p>Review of committee papers and minutes.</p> <p>Discussed with officers.</p> <p>We assessed financial sustainability as part of our financial statement audit. See Appendix 1, Action point 3</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

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