

# West of Scotland Archaeology Service

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the West of Scotland Archaeology Service and the Controller of Audit  
September 2018

## 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

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## 2017/18 annual report and 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 annual governance statement

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

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# Introduction

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**1.** This report summarises the findings from our 2017/18 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 2018 meeting of the Joint Committee. This report comprises the findings from:

- an audit of the West of Scotland Archaeology Service annual accounts
- consideration of the financial sustainability and appropriateness of annual governance statement.

**3.** 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 transparency
- value for money.

**4.** 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.

**5.** As highlighted in our 2017/18 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 2017/18 audit of WoSAS.

**6.** WoSAS has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with the Local Authority Accounts (Scotland) Regulations 2014. The service is also responsible for establishing effective governance arrangements and ensuring that financial management is effective.

**7.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and guided by the auditing profession's ethical guidance.

**8.** As public sector auditors we give independent opinions on the annual report and accounts and conclusions on securing financial sustainability and appropriateness of the annual governance statement disclosures. In doing this, we aim to support improvement and accountability.

**9.** The weaknesses or risks identified are only those which have come to their 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.** 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 2017/18 audit fee of £1,920 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

### **Adding value through the audit**

**11.** Our aim is to add value to the West of Scotland Archaeology Service by providing insight and foresight on financial sustainability and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the West of Scotland Archaeology Service promote improved standards of financial planning, better management and decision making.

**12.** [Appendix 3](#) shows a summary of our 2017/18 national performance reports. These reports include findings and good practice across a range of areas, some of which may be relevant to the service.

**13.** This report is addressed to the board and the Auditor General for Scotland and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**14.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual report and accounts



### Main judgements

**In our opinion WoSAS's financial statements give a true and fair view and were properly prepared; expenditure and income was in accordance with applicable law and guidance.**

### Audit opinions on the annual report and accounts

**15.** The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Committee on 20 September 2018. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- the information in the management commentary is consistent with the financial statements
- the information in the annual governance statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016)
- we have nothing to report in respect of those matters which we are required by the Auditor General to report by exception.

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

### Submission of annual report and accounts for audit

**16.** We received the unaudited annual report and accounts on 18 June 2018 in line with our agreed audit timetable.

**17.** The unaudited annual report and 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

**18.** [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.

### 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.** We carried out our initial assessment of materiality for the annual report and accounts during the planning phase of the audit. On receipt of the annual report

and accounts we reviewed our planning materiality calculations and concluded that they remained appropriate and these are summarised in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£1,700
Performance materiality	£1,300
Reporting threshold	£100

Source: Annual Audit Plan 2017/18

### How we evaluate misstatements

**21.** There were no material adjustments to the unaudited financial statements arising from our audit. Two monetary errors were identified in WoSAS's unaudited financial statements:

- £200 cancelled invoice
- £820 incorrect classification of short-term debtors.

**22.** These errors have been corrected in the audited accounts. The net effect of these changes is a decrease of £200 in the surplus in provision of services and a matching £200 decrease in debtors and reserves.

### 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. The findings include our views about significant qualitative aspects of the service's accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the annual report and accounts, accounting estimates and judgements and the effect of any unusual transactions on the financial statements. There are no significant findings to report.

### Follow up of prior year recommendations

**24.** We have followed up actions previously reported and assessed progress with implementation. Overall, WoSAS has made reasonable progress in implementing these actions.

**25.** In total, three agreed actions were raised in 2016/17. Of these:

- one has not yet been actioned
- one has been implemented (regular and timeous submission of travel claims)
- one is no longer relevant (two member councils no longer wish to withdraw from the service).

**26.** For the action not yet implemented, the revised response and timescale agreed with management is documented in [Appendix 1](#).

# Part 2

## Financial sustainability and 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 performance in 2017/18

**27.** The main financial objective for WoSAS is to ensure that the financial outturn for the year is within the agreed budget. WoSAS ended 2017/18 with a surplus of £10,365 compared to a budgeted deficit of £7,500.

### Short term financial planning

**28.** WoSAS is funded primarily from subscriptions received from the constituent local authority members. The service's total gross budget for 2017/18 was £164,409. Actual expenditure was £149,346, representing a saving of £15,063. The reduction in planned expenditure was the result of a temporary reduction in staff costs during 2017/18.

**29.** Gross income for the year was £159,262 resulting in a net cost of services of £10,116. After interest and investment income of £449 was accounted for, WoSAS ended the year with a surplus of £10,365 compared to a projected deficit of £7,500.

**30.** Reserves held by the service increased from £94,953 in 2016/17 to £105,318 in 2017/18 as a result of the surplus.

**31.** 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.

### Medium to long term financial planning

**32.** WoSAS actively reduced reserve balances in 2015/16 and 2016/17 as a result of planned budgeted deficits on the provision of services. In March 2018, it reviewed its reserves policy and approved a minimum level of £79,000 reserves to be retained. We consider this to be a reasonable minimum level of reserves, given the nature of the service.

**33.** In March 2016, East Renfrewshire and South Lanarkshire Council indicated their intention to leave the service. This meant that WoSAS was facing reduced levels of income, resulting in additional budgetary pressures on service delivery.

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.

However, during 2017/18, the two authorities rescinded their notices of withdrawal from the service.

**34.** We are satisfied that WoSAS has appropriate arrangements for budgetary monitoring and control.

### **Annual Governance Statement**

**35.** 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.

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

# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement



**No. Issue/risk**

**Recommendation**

**Agreed management action/timing**

### Follow up of prior year recommendations

b/f	<p><b>1. SLA for ICT Provision</b></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>The Council's new ICT service provision contract with CGI was implemented in April 2018.</p> <p>Consideration will be given to an SLA arrangement with CGI during 2018/19.</p> <p>Group Manager Development Plan/ WoSAS Service Manager Agreed date: April 2019</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
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of Management override of controls</b></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 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 2017/18



		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	Scotland's colleges 2017
		Jul	NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

# West of Scotland Archaeology Service

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