# West of Scotland Archaeology Service

## 2021/22 Annual Audit Report - DRAFT

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AUDIT SCOTLAND

**Prepared for West of Scotland Archaeology Service and the Controller of Audit**
November 2023

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# Key messages

## 2021/22 annual accounts

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

**2** The management commentary and annual governance statement are consistent with the financial statements and properly prepared in accordance with the applicable requirements.

**3** We received the unaudited annual accounts on 30 June 2022 in line with our agreed audit timetable. In light of the cumulative impact of the Covid-19 pandemic, our 2021/22 Annual Audit Plan recognised that the accounts would be audited beyond the target date of 31 October 2022. Subsequent delays in the provision of information to the audit team significantly impacted on the completion of the audit.

## Financial sustainability and governance

**4** WoSAS has appropriate arrangements in place for budget monitoring and financial planning.

**5** Limited progress has been made in the review and update of key strategic documentation relating to the body.

# Introduction

**1.** This report summarises the findings from our 2021/22 audit of West of Scotland Archaeology Service (WoSAS).

**2.** The scope of our audit was set out in our 2021/22 Annual Audit Plan issued to WoSAS in May 2022 for circulation to Joint Committee members appointed following local government elections. The plan was included on Joint Committee agenda on 9 December 2022. This report comprises the findings from:

- an audit of WoSAS's annual accounts
- our consideration of financial sustainability and appropriateness of the annual governance statement of WoSAS.

## Adding value through the audit

**3.** 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 2) and good practice guides
- providing clear conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

**4.** We aim to help WoSAS promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

**5.** 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.

**6.** 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. Also, 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 governance statement and the financial sustainability of the body and its services. As highlighted in our 2021/22 Annual Audit Plan, due to the low volume and lack of complexity of the financial transactions, we applied the small body provisions of the Code to the 2021/22 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.** 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 comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**13.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £2,120 as set out in our 2021/22 Annual Audit Plan, remains unchanged. 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.

## Audit appointment from 2022/23

The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of

accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

**15.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Ernst & Young will be the appointed auditor for WoSAS. We are working closely with the new auditors to ensure a well-managed transition.

**16.** A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**17.** There are a number of significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

**18.** We would like to thank Joint Committee members, senior officers and other staff, particularly those in finance for their co-operation and assistance over the last six years.

# Part 1. Audit of 2021/22 annual accounts

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

## Main judgements

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

The management commentary and annual governance statement are consistent with the financial statements and properly prepared in accordance with the applicable requirements.

We received the unaudited annual accounts on 30 June 2022 in line with our agreed audit timetable. In light of the cumulative impact of the Covid-19 pandemic, our 2021/22 Annual Audit Plan recognised that the accounts would be audited beyond the target date of 31 October 2022. Subsequent delays in the provision of information to the audit team significantly impacted on the completion of the audit.

### Our audit opinions on the annual accounts are unmodified

**19.** The annual accounts for the year ended 31 March 2022 were approved by the Joint Committee on 23 November 2023. 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 consistent with the financial statements and properly prepared in accordance with the applicable requirements.

### There were delays in auditing the annual accounts due to issues around availability of evidence to support the financial statements and the cumulative impact of Covid-19

**20.** For 2021/22, the submission deadline for local government bodies audited annual accounts was set at 30 November 2022.

**21.** The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2022. In recognition of the cumulative impact of Covid-19,

our Annual Audit Plan set out that we expected that the annual accounts would not be audited by the target date of 31 October 2022 set out in the audit planning guidance.

**22.** Audit fieldwork commenced in December 2022, however due to issues with a planned upgrade to the council's ledger system in February 2023, officers were unable to provide information to support the audit until April 2023. Subsequent delays in responding to audit requests also impacted on completion of the audit and the availability of audit resource through the transition to new audit portfolios.

## Public inspection requirements were not fully met, however there were no objections raised to the annual accounts

**23.** Regulation 9 of the Local Authority Accounts (Scotland) Regulations 2014 requires local government bodies to give public notice on their websites by 17 June (at the latest) of the right to inspect its annual report and accounts. The accounts should be available for inspection from 1 July at the latest, for a period of 15 working days from the date specified in the notice.

**24.** As part of our audit, we confirmed WoSAS's accounts were available for inspection from 1 July, in line with the regulations. However, the public inspection notice for WoSAS's accounts did not appear on the administering authority's website until 20 June 2022, three days after the deadline set in the regulations. No objections were raised to the 2021/22 annual accounts.

## Overall materiality is £3,000

**25.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts. We concluded that no changes were required to our planned levels, which are 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 2021/22

**26.** In determining performance materiality we considered the following factors any new risks identified in 2021/22, the history of errors in previous financial years, the complexity of accounting arrangements and the risk profile of the body generally.

**27.** The overall scope of the audit was developed to incorporate the significant assessed risks of material misstatement included within Exhibit 3, by ensuring appropriate testing of transactions to identify any instances of management override of controls.

## Significant findings to report on the annual accounts

**28.** 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 no significant matters to bring to your attention.

**29.** We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. Exhibit 2 sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 2
### Significant risks from the audit of the financial statements

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| **Risk of material misstatement due to fraud caused by the management override of controls**<br>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively. | Owing to the nature of this risk, assurances from management are not applicable in this instance.<br>Audit work included:<br>• Enquiries of individuals in relation to processing of journal entries and other adjustments<br>• Sample testing of journals and adjustments<br>• Sample testing of income and expenditure transactions to confirm they were properly accounted for<br>• Focused testing of accruals | Our work did not identify any issues or material errors that required adjustments within the financial statements.<br>**There is no evidence of management override of controls from work performed.** |

## We identified one misstatement of £200 which has not been adjusted in the accounts

**30.** Audit testing identified that a £200 subscription relating to ALGAO:UK membership during the year had not been accounted for in the financial statements, due to a missing invoice.

**31.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Given the relatively low value of the

transaction, officers do not propose adjusting in the financial statements, but will recognise as expenditure in 2022/23 financial statements.

# Part 2. Financial sustainability and governance

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services. Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making.

## Main judgements

WoSAS has appropriate arrangements in place for budget monitoring and financial planning.

Limited progress has been made in the review and update of key strategic documentation relating to the body.

### Financial performance in 2021/22 and financial planning

**32.** WoSAS is primarily funded by subscriptions from member authorities. The main financial objective of WoSAS is to ensure that the financial outturn for the year is within the agreed budget.

**33.** WoSAS's reserve levels in recent years have been in excess of the £92,000 target level set out in its reserve policy. As part of a process to manage levels, the 2021/22 budget setting process included a freeze on local authority subscriptions and a budgeted deficit of £13,564 to be met by a drawdown of reserves. However, actual gross expenditure in the year was £159,256 and total income £172,219, resulting in a surplus of £12,963. Useable reserves at 31 March 2022 were £163,428.

**34.** WoSAS undertakes an annual review of its reserves policy to ensure it remains appropriate to the body's circumstances. The most recent review was reported in February 2023 and concluded that a revised reserves balance of £96,000 was appropriate. Proposals for reducing the level of retained financial reserves in a sustainable manner will be taken to the Joint Committee for consideration as part of the annual budget setting process.

**35.** We are satisfied that WoSAS has appropriate arrangements in place for budget monitoring and financial planning.

### Annual Governance Statement

**36.** 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.

**37.** 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

**38.** In previous years we have highlighted that a number of key strategic documents, including the Minute of Agreement, Business Plan, Service level Agreement and ICT Service Level Agreement had not been updated for a considerable time. In addition the information held on the WoSAS website has not been updated.

**39.** There continues to be limited progress in addressing these matters. Officers noted that delays are in part due to work on implementing changes required through the new Planning Act, and the impact of these on the strategic direction of the organisation. The current position of the issues raised is:

- The Minute of Agreement has still to be drafted and will require conclusion of discussions around the structure and future funding of the service
- An updated SLA was agreed in principle at officer level but has yet to be taken to committee for approval
- Preparation of a new business plan is on hold until a new Minute of Agreement is in place
- Some progress has been made on an SLA for IT support, however finalisation will be dependent on timescales for rollout of WoSAS specific software on devices.

**40.** The ongoing delays in addressing these issues increases the risk that the strategic objectives of the service are not delivered.

## Recommendation 1

Key strategic and governance documents should be updated to reflect the strategic objectives and direction of the organisation going forward. (refer Appendix 1, action plan).

## National performance audit reports

**41.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. Appendix 2 highlights a number of the reports published in 2021/22.

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|
| 1. **Strategic documents**<br>A number of key strategic documents have still to be updated to reflect<br>These include:<br>• Minute of Agreement<br>• Business Plan<br>• Service level Agreement<br>• ICT Service Level Agreement<br>Risk – the ongoing delays in addressing these issues increases the risk that the strategic objectives of the service are not delivered. | Key strategic and governance documents should be updated to reflect the strategic objectives and direction of the organisation going forward<br>Para 40. | The Manager of the Service will engage with the Officer Steering Group to revise the draft Minute of Agreement and Service Level Agreements in light of post-pandemic changes to member councils' operating procedures and requirements to bring forward more robust arrangements for future service delivery, including a new Business Plan.<br>The Manager of the Service has engaged GCC host department's management to facilitate an examination of the ICT Service Level Agreement with a view to deliver better value for money for the Service<br>**Responsible officer:** Service Manager<br>**Date**: March 2024 |

# Appendix 2. Summary of 2021/22 national performance reports and briefing papers

## May

Local government in Scotland Overview 2021

## June

Covid 19: Personal protective equipment

## July

Community justice: Sustainable alternatives to custody

## September

Covid 19: Vaccination programme

## January

Planning for skills

Social care briefing

## February

NHS in Scotland 2021

## March

Local government in Scotland: Financial Overview 20/21

Drug and alcohol: An update

Scotland's economy: Supporting businesses through the Covid 19 pandemic

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