



# Audit findings report

West Lothian Leisure

Year ended 31 March 2024



**Strictly Private & Confidential**

The Board of Trustees  
West Lothian Leisure  
Xcite Bathgate Sports Centre  
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Our ref: ALGI/DAMO/WESTLL01  
28 August 2024

Dear Sirs

**West Lothian Leisure  
Audit plan for the year ended 31 March 2024**

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, including those in respect of the preparation of financial statements.

There is more detail in respect of the responsibilities of the auditor and those charged with governance within our engagement letter. Our standard terms and conditions can be found at <https://www.azets.co.uk/about-us/policies-legal/terms-of-business/>.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact either myself or Dave Mottershaw.

Yours faithfully

A handwritten signature in black ink that reads 'Allison Gibson'.

**Allison Gibson**  
**Senior Statutory Auditor**  
**Azets Audit Services**

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# 1. Executive summary

## Audit overview

This table summarises the key findings from the statutory audit of West Lothian Leisure for the year ended 31 March 2024 for those charged with governance.

<b>Audit opinion</b>	<p>We do not propose any modifications to our audit opinion which is unqualified.</p> <p>We have no matters to report regarding the adoption of the going concern basis or inadequate disclosures relating to material uncertainties.</p> <p>Our audit work is substantially complete and there are currently no matters which would require modification of our audit report.</p>
<b>Key findings on audit risks and other matters</b>	<p>We have reported our audit findings on pages 2-4 of this report.</p> <p>We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.</p>
<b>Audit adjustments</b>	<p>We identified two audit adjustments, which have been adjusted in the financial statements. The adjustments increased the deficit for the year by £235,000. Details are provided on page 6.</p> <p>We are required to communicate all potential adjustments, other than those considered to be clearly trivial, to management.</p> <p>The aggregate impact of unadjusted misstatements on the statement of financial activities, were they to be processed, would result in a combined net movement in funds for the year of £46,122 which is immaterial to the financial statements.</p> <p>All unadjusted differences are collectively and individually under materiality.</p>
<b>Accounting systems and internal controls</b>	<p>We have applied our risk-based methodology to your audit. This approach requires us to document, evaluate and assess your business processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we would report these to you. Two observations in relation to the control environment are noted on page 8 of this report.</p>

## 2. Significant risk areas

Significant risks are risks that require special audit consideration and include identified risks of material misstatement that:

- our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

### Significant risks at the financial statement level

The below table summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Key risk area	Audit Approach	Conclusions
<p><b>Management override of controls</b></p> <p>Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p><b>Risk of material misstatement: High</b></p>	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgements and decisions made by management;</li> <li>• Testing of journal entries; and</li> <li>• Review of any unusual significant transactions.</li> </ul>	<p>Our review of the accounting records did not identify any significant transactions outside the normal financial control processes. We did not identify any evidence of management override.</p>
<p><b>Going concern</b></p> <p>The trustees must undertake a formal assessment of the charitable company's ability to continue as a going concern for at least the 12 months following the signing of the financial statements at both the planning stage of the audit and at the date the financial statements are signed.</p> <p><b>Risk of material misstatement: Medium</b></p>	<p>In respect of going concern, we reviewed:</p> <ul style="list-style-type: none"> <li>• Your assessment of going concern at planning and at the date of signing the financial statements;</li> <li>• Budgets and cash flow forecasts covering the 12-month period from the date of signing the financial statements;</li> <li>• Post year end management accounts; and</li> <li>• Cash position at sign off.</li> </ul>	<p>We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.</p>

We also held detailed discussions with the finance team in respect of going concern.

Finally, we will ask the Board, via the letter of representation, to confirm that the Board have concluded that the charitable company is a going concern.

## Significant risks at the assertion level for classes of transaction, account balances and disclosures

The below table summarises conclusions in relation to significant risks of material misstatement at the assertion level for classes of transaction, account balances and disclosures.

Key risk area	Audit Approach	Conclusions
<p><b>Fraud in income recognition</b></p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Revenue (Completeness; Occurrence and Cut-off assertions): High</b></li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> <li>• Review and testing of revenue recognition policies; and</li> <li>• Detailed substantive testing on material revenue streams.</li> </ul>	<p>We have gained satisfactory assurance in respect of the completeness, occurrence and cut-off of revenue transactions in the year.</p>
<p><b>Key accounting estimate – Pension scheme actuarial assumptions</b></p> <p>Due to the volatility in market conditions affecting future forecast asset returns, as well as the significant impact on liabilities through changes in actuarial assumptions, the scheme valuation can change significantly year on year.</p> <p>We note that the actuarial report shows a surplus in the scheme this year, FRS 102 only allows a surplus to be recognised to the extent that the charitable company can demonstrate it will benefit from the surplus.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Pensions (Valuation and Presentation &amp; Disclosure assertions): Medium</b></li> </ul>	<p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <ul style="list-style-type: none"> <li>• Review of the valuation report;</li> <li>• Review and consideration of whether the assumptions applied by the actuary are consistent with those used by other funds; and</li> <li>• Ensuring that disclosures in the financial statements are adequate.</li> </ul>	<p>We have gained satisfactory assurance that the pension valuation has been correctly accounted for and disclosed within the financial statements.</p>

### 3. Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

#### Management's assessment of going concern

West Lothian Lesiure has prepared its financial statements on the going concern basis. Management believe that the financial statements should be prepared on the going concern basis as a result of the level of support committed by West Lothian Council, and based on budgets and forecasts approved by the Board.

Management's assessment covers a period of at least 12 months from expected date of approval of the accounts.

#### Audit work performed

ISA 570 (revised) specifies mandatory procedures that we are required to carry out on going concern.

We have reviewed management's assessment of going concern, along with the assumptions made in the assessment and the budgets for the next 12 months. There were no material uncertainties identified from this assessment which cast a significant doubt on the ability of the charitable company to continue as a going concern.

#### Cash flow forecasts

We have reviewed cash flow forecasts prepared by management. These are in line with our understanding

of the business and illustrate that the charitable company has forecasted there to be sufficient cash reserves to continue its operations.

#### Financial resources available

The funding agreement between West Lothian Leisure and West Lothian Council has been reviewed and confirms the funding for the year ahead.

#### Other factors

Legal fees have been reviewed for any litigation/claims that might have an impact on the charitable company's ability to continue as a going concern. No issues have been noted from the work performed.

#### Disclosures

We are satisfied with the quality and adequacy of the disclosures set out in note 2 to the financial statements in relation to going concern.

#### Conclusion

We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

## 4. Audit communication

### Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

### Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the prior year.

### Presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the entity.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

### Fraud and suspected fraud

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

### Written representations

We will present the final letter of representation to the Board to sign at the same time as the financial statements are approved.

### Related parties

We are not aware of any related party transactions which have not been disclosed in the financial statements.

### Confirmations from third parties

Requested third party confirmations have been received from Lindsays, DWF, Barclays and Bank of Scotland.



## 4. Audit communication (continued)

### Unadjusted audit differences

Our summary of the unadjusted audit differences are presented below. We have discussed these adjustments with management and confirmed that the unadjusted differences are individually and cumulatively immaterial.

Unadjusted items - current year						
	JE detail	Statement of Financial Activities		Balance Sheet		Impact on SOFA
		Dr	Cr	Dr	Cr	
1	Other income - unrestricted	£	49,446			
	Grant income - restricted		£	49,446		
	<b>Being reallocation of Cycling Scotland grant funding to restricted funds</b>					£ -
2	Wages and Salaries	£	46,122			
	Accruals - overtime accrual			£	46,122	
	<b>Being adjustment for overtime accrual at year-end</b>					-£ 46,122
Overall impact on net movement in funds - increase deficit by						-£ 46,122

### Adjusted audit differences

The financial statements have been adjusted for the following items, following discussion with Management who agreed that these changes should be processed:

Actual adjustments - current year						
	JE detail	Statement of Financial Activities		Balance Sheet		Impact on SOFA
		Dr	Cr	Dr	Cr	
1	gain/loss on disposal of FA (expenditure)	£	8,473			
	gain/loss on disposal of FA (income)		£	8,473		
	<b>Being adjustment to net off gains and losses on disposal of fixed assets</b>					£ -
2	Actuarial loss for year	£	235,000			
	Pension scheme liability			£	235,000	
	<b>Being adjustment to pension actuarial liability</b>					-£ 235,000
Overall impact on net movement in funds - increase deficit by						-£ 235,000

## 5. Internal controls

### Control environment

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have reported these to you below and overleaf. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you and that have not been reported elsewhere within this report.

### Follow up on prior year control recommendations

As part of our current year audit process, we have specifically followed up on control weaknesses and recommendations raised in last year's report as follows:

1. Income received from WLC in respect of "capital funding" was credited to expenditure ledgers. No issues identified in the current year, therefore this observation has been addressed and closed.
2. VAT returns include agency ticket sales, in duplicate. This was not identified until year-end reconciliations were carried out. No such issues were identified this year, and therefore this observation has been addressed and closed.

Area	Assessment	Comment
Control and process environment	<b>Satisfactory</b>	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	<b>Satisfactory</b>	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	<b>Satisfactory</b>	Management's responses to our audit queries were appropriate and received on a timely basis.

## 5. Internal controls (continued)

### Control environment

Control points arising from our current year work and our recommendations are summarised below. The recommendations are categorised into three risk ratings as shown in the key.

Key: 1. **Significant deficiency** 2. **Other deficiency** 3. **Other observations**

Area	Observation	Implication	Recommendation	Management Response
<b>Statutory submissions</b>  <b>Level 2</b>	It was noted that the confirmation statement was submitted to Companies House after the filing deadline.	Late filing of documents at Companies House is considered to be non-compliance. An automatic striking off notice was issued to the company, which has been cancelled subsequent to the statement having been filed.	We recommend that diary reminders are set to ensure Companies House filings are submitted on time.	Diarised for next year
<b>Reserves Policy</b>  <b>Level 2</b>	It was noted that there has not been an update to the reserves policy since 2019.	As the policy has not been reviewed it is possible that due to cost increases the reserves policy is no longer at the correct level.	We recommend that the reserves policy is reviewed.	This will be reviewed by the Board prior to the current year end.

## 6. Independence and ethics

In accordance with our profession's ethical requirements and further to our audit planning letter issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity, and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

### Audit and non-audit services

The following services were provided in the year to 31 March 2024 and to 31 March 2023:

Audit services	Fees 2024 £	Fees 2023 £
Audit of company	32,210	29,850
<b>Total audit services</b>	<b>32,210</b>	<b>29,850</b>

Non audit service	Fees 2024 £	Fees 2023 £	Potential threats	Safeguards applied
Preparation of statutory accounts	Included in audit fee	Included in audit fee	Self-review / Management	Financial statements are prepared based on information provided by your team. Any adjustments are agreed with management.  A second manager review of the financial statements is performed, by a member of our team not involved in the delivery of the audit service.
VAT advisory services	£1,870	£nil	Self-review	VAT services are provided by a separate specialist team.

**AZETS**