

Scottish Parliamentary Corporate Body

Annual Audit Plan 2023/24



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March 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for the 2023/24 external audit of Scottish Parliamentary Corporate Body (SPCB). The main elements include:
 - an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
 - an audit opinion on regularity and other statutory information published with the financial statements in the annual report and accounts, including the Performance Report, Governance Statement, and the Remuneration and Staff Report
 - consideration of arrangements in relation to wider scope areas of financial management; financial sustainability and vision, leadership and governance
 - provision of an Annual Audit Report setting out conclusions on all aspects of the audit.
2. There has been no change to the audit team as we move into the second year of our audit appointment. Carole Grant remains the engagement lead.

Respective responsibilities of the auditor and SPCB

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the SPCB. Key responsibilities are summarised below.

Auditor responsibilities

4. Our responsibilities are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.
5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at the SPCB. In doing this, we aim to support improvement and accountability.

SPCB responsibilities

6. The SPCB is responsible for maintaining adequate accounting records and internal controls and preparing financial statements for audit that give a true and fair view. It is also required to produce other reports in the annual report and accounts in accordance with applicable requirements.

7. The SPCB has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable it to deliver its objectives.

Adding Value

8. We aim to add value by being constructive and forward looking and providing independent conclusions on all aspects of the audit. We will attend meetings of the Advisory Audit Board and recommend and encouraging good practice. In so doing, we will help SPCB promote improved standards of governance, better management and decision making.

Annual report and accounts

Introduction

9. The annual report and accounts are an essential part of demonstrating the SPCB's stewardship of resources and its performance in the use of those resources.

10. We are required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report. Our audit work is conducted in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 and guidance from Audit Scotland.

11. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels and the materiality values for SPCB are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for SPCB

Materiality	Amount
<p>Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the SPCB's operations. For the year ended 31 March 2024, we have set our materiality at 1.75 per cent of gross expenditure based on the 2022/23 audited financial statements, due to the extent of public interest in the body.</p>	£2.2 million

Materiality	Amount
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75 per cent of planning materiality.	£1.6 million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.1 million

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of the SPCB, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at Advisory Audit Board meetings and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the audit. Where such changes occur, we will advise management and, where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the risks, management's sources of assurance and the further audit procedures we plan to perform to gain necessary assurance.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique</p>	Owing to the nature of this risk, assurances from management are not applicable	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p> <p>This is presumed to be a significant risk in every audit.</p>		<p>inappropriate or unusual activity in the processing of journal entries and other adjustments.</p> <ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and consider the need to test during the year. • Evaluate significant transactions outside the normal course of business. • Assess any changes to the methods and underlying assumptions use to prepare accounting estimates. • Substantive testing of income and expenditure transactions around the year end to confirm they are accounted for in the correct financial year. • Focused testing of accounting accruals and prepayments.
<p>2. Estimation in the valuation of land and buildings.</p> <p>Land and buildings are revalued on a five-year rolling basis with an indexation exercise undertaken in the intervening years. Indices are based on specialist assumptions and changes in these or errors in their application can result in material misstatements.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. SPCB must ensure that its valuation process adequately reflects changes in the market.</p>	<p>We continue to rely on professional advice of an external valuer. The next full revaluation of property is due in 2024/25. The valuer will provide indexation uplift figures to be applied during the financial year 2023/24.</p>	<ul style="list-style-type: none"> • Evaluate the competence, capabilities and objectivity of the professional valuer. • Review the indexation uplift figures provided to SPCB to assess for appropriateness. • Review the indexation calculations to ensure the correct indices are used and that they are appropriately applied to land and buildings. • Critically assess the approach SPCB has adopted to assess the risk that assets not subject to indexation are held at the appropriate value within the asset register.

17. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for SPCB due to the nature of the funding from the Scottish Consolidated Fund and the remaining operating income being below our materiality level.

18. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk for revenue. We have rebutted this risk as the main expenditure streams are staff costs, members' salaries and depreciation and these items can be readily forecast based on a predictable pattern of spend.

19. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

20. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude, we do not consider these to be significant risks. We will keep these areas under review as our audit progresses.

21. The areas of specific audit focus are:

- Estimation in the valuation of pensions. The degree of subjectivity in the measurement and valuation of pensions represents an increased risk of material misstatement in the financial statements. We plan to use an auditor's expert to inform our review of the assumptions used in calculating this estimate and management's judgements. We will also test the appropriateness of the controls in place over the provision of information to the actuary and seek assurances from the auditor of the Scottish Parliamentary Pension Scheme SPPS over the data passed to the actuary.
- MSP expenses. Due to the claims driven nature of an expenses system there is a risk to the accuracy of the amounts disclosed in the financial statements. This is an area of expenditure that draws significant public interest. We plan to place reliance on internal audit's work on the reimbursement of members expenses, including the re-performance of a sample of claims. We will also perform a proof in total check, substantively check a sample of claims and obtain explanations for significant variances.

Regularity

22. Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

23. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Wider Scope and Best Value

Wider scope

24. Reflecting the fact that public money is involved the Code of Audit Practice sets out the areas that frame the wider scope of public sector audit and requires auditors to conclude on the effectiveness and appropriateness of the arrangements in place.

25. Due to the nature of SPCB, and the specific provisions in the Public Finance and Accountability (Scotland) Act 2000, we will not be completing any specific audit work on the wider scope area of 'Use of resources to improve outcomes'.

26. Our planned work on our wider scope responsibilities is risk based and proportionate. In addition to local risks we consider challenges which are impacting the public sector as a whole. In summary we will be considering:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider whether the SPCB is planning effectively to continue to deliver services. We will comment on financial sustainability in the medium (two to five years) to longer term (longer than five years). We will also monitor the work undertaken by SPCB to address future organisational capacity challenges, including the potential increase in Officeholders and Commissioners and succession planning.
- **Vision, leadership and governance** – we will conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by the SPCB. We also consider the effectiveness of the governance arrangements to support delivery and the arrangements in place to ensure the continuity of key members of the Advisory Audit Board.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

27. Audit reporting is the visible output for the annual audit. All audit outputs on matters of public interest, including those detailed in [Exhibit 3](#), will be published on our website: www.audit-scotland.gov.uk.

28. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be issued to the relevant officers to confirm factual accuracy.

29. The Auditor General for Scotland will provide an Independent Auditor's Report to the SPCB, setting out his opinions on the annual report and accounts. We will provide the Principal Accountable Officer and the Auditor General for Scotland with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

30. [Exhibit 3](#) outlines the target dates for our audit outputs. We plan to issue our Independent Auditor's Report and Annual Audit Report by the statutory deadline of 31 October 2024.

Exhibit 3 2023/24 Audit outputs

Audit Output	Target date	Advisory Audit Board Date
Annual Audit Plan	31/03/2024	20/03/2024
Independent Auditor's Report	27/09/2024*	18/09/2024
Annual Audit Report	27/09/2024*	18/09/2024

Source: Audit Scotland



* These dates represent the date for the independent auditor's report to be signed and the final annual audit report issued. We will provide copies to those charged with governance in advance of the appropriate Advisory Audit Board to enable them to be considered.

Timetable

31. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#).

32. We will continue to work closely with management to identify the most efficient approach and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management over the course of the audit.

Exhibit 4 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Receipt of the unaudited annual report and accounts with complete working papers package.	8 July 2024
Issue draft annual audit report for clearance discussions	2 September 2024
Latest date for clearance meeting with the Chief Financial Officer	6 September 2024
Agreement of audited and unsigned annual report and accounts	9 September 2024
Issue of annual audit report, independent auditor's report and letter of representation to those charged with governance	10 September 2024
Signed Independent Auditor's Report	27 September 2024

Source: Audit Scotland

Audit fee

33. In determining the audit fee, we have taken account of the risk exposure of the SPCB and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The audit fee for 2023/24 is set at the baseline level of £81,200.

34. The audit fee assumes that the SPCB has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

35. It is the responsibility of the SPCB to establish adequate internal audit arrangements. From our initial review of the internal audit plans, we plan to place formal reliance on internal audit's work in relation to the testing of MSP expenses for our financial statements' responsibilities and consider the findings from the review of cyber security arrangements.

Independence and objectivity

36. I confirm that, as engagement lead, I am independent of the SPCB in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules on auditors to ensure independence and objectivity.

37. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual 'fit and proper' declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

38. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. I am not aware of any such relationships pertaining to the audit of the SPCB.

Audit Quality

39. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the Audit Scotland website.

40. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit, and ensuring we have robust quality monitoring arrangements in place.
- ISQM (UK) 2 sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit, to review significant judgements and conclusions reached by the audit team.

41. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

42. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

43. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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