

Scottish Parliamentary Corporate Body

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Parliamentary Corporate Body and the Auditor General for Scotland

12 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

2017/18 annual report and accounts

- 1** In our opinion the financial statements of the Scottish Parliamentary Corporate Body (SPCB) give a true and fair view of the state of the body's affairs and of its net expenditure for the year.
- 2** The Auditor General for Scotland has issued an unqualified Independent Auditor's Report on the SPCB Annual Report and Accounts for 2017/18.
- 3** There are no uncorrected errors in the Annual Report and Accounts. Management adjusted for all accounting errors. The overall impact of the corrections made was to decrease net assets by £1.1 million from £281.1 million to £280.0 million.
- 4** The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Financial management

- 5** The SPCB had effective overall management of the 2017/18 budget.
- 6** Systems of internal control operated effectively in 2017/18 with scope for improvements in some areas.

Financial sustainability

- 7** There are no concerns about the overall financial position of the SPCB.
- 8** The SPCB has adequate processes for financial planning.
- 9** The SPCB has been proactive in assessing the potential impact of the withdrawal from the European Union, Parliamentary reform and constitutional change. The resulting pressures on available resources have been acknowledged and are being kept under review.

Governance and transparency

- 10** The SPCB has effective governance arrangements in place
- 11** The SPCB has increased the openness and transparency in the way it conducts its business. Transparency has been enhanced by publishing the minutes of the Advisory Audit Board on the SPCB website.

Introduction

- 1.** This report summarises the findings from our 2017/18 audit of the Scottish Parliamentary Corporate Body (SPCB or the Corporate Body).
- 2.** The scope of our audit was set out in our Annual Audit Plan presented to the 6 December 2017 meeting of the Advisory Audit Board (AAB). This report comprises the findings from:
 - an audit of the SPCB's annual report and accounts
 - consideration of the audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#): appropriateness, effectiveness and impact of corporate governance, financial management and financial sustainability.
- 3.** The main elements of our audit work in 2017/18 have been:
 - an interim audit of the SPCB's main financial systems and governance systems
 - an audit of the SPCB's 2017/18 annual report and accounts including the issue of the Auditor General for Scotland's independent auditor's report setting out her opinions
 - consideration of the wider audit dimensions of financial management, financial sustainability and governance and transparency.
- 4.** The SPCB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from the Scottish Ministers. The SPCB annual report and accounts includes the following:
 - Performance Report
 - Accountability Report (which includes the Corporate Governance Report, Remuneration and Staff Report and, Parliamentary and Accountability Report)
 - Financial statements and supporting notes.
- 5.** The SPCB is also responsible for establishing effective arrangements for governance, propriety and regularity that enable the Corporate Body to successfully deliver its objectives.
- 6.** Our responsibilities as independent auditor are outlined in the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.
- 7.** As public sector auditors we give independent opinions on the annual report and accounts. We also review and provide conclusions on the suitability and effectiveness of corporate governance arrangements, financial position and arrangements for securing financial sustainability. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

8. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. 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.

9. We have not identified any points resulting from the 2017/18 audit that would require inclusion of an action plan for improvements in this report.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £69,600 agreed during the planning stage remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We aim to add value to the SPCB through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help the Corporate Body promote improved standards of governance, better management and decision making.

12. This report is addressed to both the SPCB and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

13. We would like to thank all 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

The financial statements of the SPCB for 2017/18 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The Auditor General for Scotland has issued an unqualified Independent Auditor's Report on the SPCB Annual Report and Accounts for 2017/18.

There are no uncorrected errors in the Annual Report and Accounts. Management adjusted for all accounting errors. The overall impact of the corrections made was to decrease net assets by £1.1million from £281.1 million to £280.0 million.

The audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

Audit opinions on the annual report and accounts

14. The annual report and accounts for the year ended 31 March 2018 were approved by the SPCB on 20 September 2018. The Auditor General for Scotland reported within the independent auditor's report that in her opinion:

- the financial statements give a true and fair view and were properly prepared
- expenditure and income were regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the accounts direction.

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.

15. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records and the information and explanations we received.

Submission of annual report and accounts for audit

16. We received the unaudited financial statements on 6 July 2018 in line with our agreed audit timetable.

17. The working papers provided with the unaudited financial statements were well documented and finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risk of material misstatement

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

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions taken by users 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 | £0.994 million |
| Performance materiality | £0.746 million |
| Reporting threshold | £0.045 million |

Source: Audit Scotland

How we evaluate misstatements

21. It is our responsibility to request that all misstatements other than those below the reporting threshold are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality.

22. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements. There was one adjustment to the unaudited accounts of £1.1 million. This related to changes to the calculation of accumulated depreciation to ensure consistent application of depreciation indices on property, plant and equipment. This resulted in a decrease in net assets from £281.1 million to £280.0 million

Significant findings from the audit in accordance with ISA 260

23. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 2](#).

24. These findings include our views about significant qualitative aspects of the SPCB's accounting practices including:

- | | |
|---|---|
| • Accounting policies | • Accounting estimates and judgements |
| • Significant financial statements disclosures | • Timing of transactions and the period in which they are recorded |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements |
| • Misstatements in the annual report and accounts | • Disagreement over any accounting treatment or financial statements disclosure |

Exhibit 2

Significant findings from the audit of financial statements

| Issue | Resolution |
|--|--|
| <p>1. Buildings and fixed plant indexation</p> <p>An independent professional company revalued SPCB's land, buildings and fixed plant in 2014/15. The next valuation is scheduled for 2019/20 and appropriate indices are used in the intervening years to revalue those assets. The indices are used to calculate the indexation on cost or valuation and on depreciation in Note 7 Property Plant and Equipment in order to determine the estimated fair value at the year end.</p> <p>In the three year period following the 2014/15 valuation, the SPCB updated the cost or valuation indexation with the indices at the end of the financial year.</p> <p>However, in the same period, the SPCB updated the depreciation indexation with the indices at the start of the financial year.</p> <p>Due to the inconsistent application of indices, the net book value of the property plant and equipment and the revaluation reserve at 31 March 2018 in the unaudited financial statements were overstated by £1.086 million.</p> <p>We requested that the depreciation indexation for 2017/18 be amended to include the increase calculated at the end of the financial year.</p> <p>There was no need to correct the prior year balance as it was valued below our materiality level.</p> | <p>SPCB has agreed to correct this timing difference and amended the 2017/18 financial statements accordingly. We examined the adjustment and concluded that it was correct.</p> |

Source: Audit Scotland

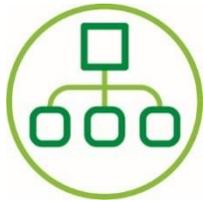
Follow up of prior year recommendations

25. We have followed up actions agreed in 2016/17 to assess progress with implementation. Good progress has been made with all three recommendations,

namely the Advisory Audit Board (AAB) has been strengthened by the appointment of three new independent members, the minutes of the AAB are now published on SPCB's website and the 2017/17 Annual Report and Accounts gives a fuller disclosure of the categories of expenditure on MSP's expenses.

Part 2

Financial management



Main judgements

The SPCB had effective overall management of the 2017/18 budget.

Systems of internal control operated effectively in 2017/18 with scope for improvements in some areas.

Financial performance in 2017/18

26. The main financial objective for SPCB is to ensure that the financial outturn for the year is within the budget. The SPCB is funded directly from the Scottish Consolidated Fund with its budget approved by the Finance and Constitution Committee of the Scottish Parliament and netted off against the Scottish block grant. This is then included in the annual Budget Bill figures presented by the Scottish Government.

27. The SPCB has reported an outturn of £99.6 million, remaining within its overall budget for 2017/18 with an underspend of £2.2 million. The financial performance against budget is shown in [Exhibit 3](#).

Exhibit 3

Performance against budget in 2017/18

| Performance | Initial budget £m | Final budget £m | Actual outturn £m | Overspend/ (underspend) £m |
|---------------------|----------------------|--------------------|-------------------------|----------------------------------|
| Revenue budget | 96.6 | 100.5 | 98.0 | (2.5) |
| Capital budget | 1.0 | 1.3 | 1.6 | 0.3 |
| Total budget | 97.6 | 101.8 | 99.6 | (2.2) |

Source: 2017/18 Budget Scotland Bill, 2017/18 Spring Budget Revision, 2017/18 Annual Report and Accounts

Budgetary processes

28. We reviewed SPCB's budgetary processes and budget monitoring arrangements. We noted that in this year and in the previous year, SPCB underspent on the total budget (£2.0 million in 2016/17). These underspends tend to arise in two areas: MSPs expenses and depreciation. MSPs expenses depend on many factors and management informed us that it is difficult to profile this cost

with greater accuracy. We noted that in their 2018/19 budget submission SPCB reduced the budget on depreciation by £0.9 million to improve the budget profiling for this expenditure. The reason for the overspend against the capital budget was mainly due to approvals of spend on broadcasting and IT equipment in quarter 4 made within the SPCB's overall approved budget.

29. From our review of budget monitoring reports, review of SPCB's and individual boards papers we confirmed that senior management and members receive regular, timely and up to date financial information on the financial position.

30. We concluded that the SPCB has sound budgetary monitoring and control arrangements that allow members and officers to carry out effective scrutiny of its finances.

Systems of internal control

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

32. Our audit findings were included in the Management Report presented to the Advisory Audit Board on 20 June 2018. We concluded that the controls tested were operating effectively with scope for strengthening some processes. Overall no significant control weaknesses were identified during the audit which could affect SPCB's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements.

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

Part 3

Financial sustainability



Main judgements

There are no concerns about the overall financial position of the SPCB.

SPCB has adequate financial planning arrangements in place.

SPCB has been proactive in assessing the potential impact of the withdrawal from the European Union, Parliamentary reform and constitutional change. The resulting pressures on available resources has been acknowledged and are being kept under review.

2017/18 financial position

33. The Statement of Financial Position summarises what is owned and owed by SPCB. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

34. The financial statements show that SPCB has net assets of £280 million which is a net increase of £7.5 million (3%) from 2016/17. The main variances between the years are the reduction in the value of the pension liability and the increased net book value of the Parliamentary Building.

35. SPCB's employees are members of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi-employer defined benefit scheme. As is the case with other member bodies of the scheme, SPCB is unable to identify its share of the underlying assets and liabilities.

36. MSPs are members of the Scottish Parliamentary Pension Fund. The valuation of pension fund assets and liabilities is assessed by the Government Actuary Department. Valuations are based on a number of variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.

37. GAD undertakes a full actuarial valuation of the Fund's assets and liabilities every three years. The last full valuation covered the period 1 April 2014 to 31 March 2017. The 2017/18 assessment has been carried out by calculating the liability as at 31 March 2017 based on the data for the 2017 actuarial valuation and rolling forward that liability to 31 March 2018.

38. The pension liability at 31 March 2018 was £24.7 million and represents 75% of total liabilities of the SPCB at the year-end (£28.9 million and 79% in 2016/17).

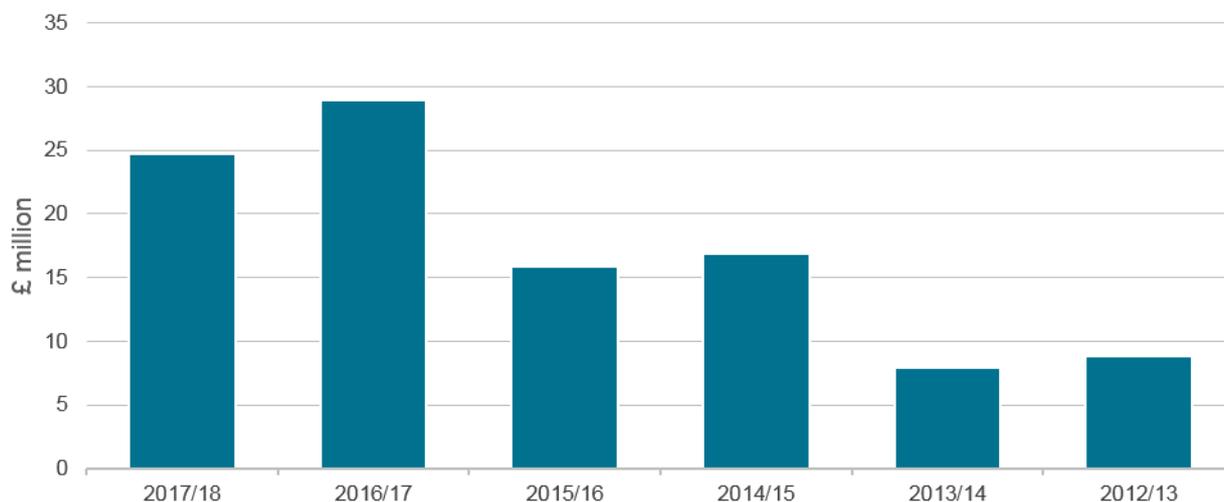
39. The pension liability shows the difference between the expected future pension payments to pensioners and the underlying value of pension fund assets available to meet this cost.

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.

40. The movement in pension liability over last six years is shown in [Exhibit 4](#).

Exhibit 4

MSPs Pension liability movement



Source: Audited SPCB annual accounts 2012/13 – 2017/18

41. Changes and movements in the actuarial assumptions can have a significant impact on the value of the pension liability. The most significant impact on the 2017/18 decrease in liability was due to the changes in the mortality assumptions. The actuaries agreed with SPCB to use 2016-based principal population projections for the United Kingdom (prepared by ONS). This is a change to the previous year when, the then latest 2014-based principal population projections, were used.

42. In accordance with the Scotland Act 1998 all expenses of the Corporate Body, including those relating to pension fund liabilities, are payable out of the Scottish Consolidated Fund.

Short-term financial planning

43. The Parliament's Finance and Constitution Committee approved SPCB's 2018/19 budget in December 2017 with a total resource allocation of £102.3 million. This is £4.6 million (5 %) more than the final 2017/18 approved budget.

44. The total 2018/19 SPCB budget includes £11.6 million of Commissioners and Ombudsman costs for which SPCB approves the annual budgets.

45. The SPCB's 2018/19 budget increased the assumed revenue spend by £2.4 million. Capital and non-cash funding remaining fairly static. The revenue increases relate to staff cost of £2.1 million (8% increase) to account for creation of new 19 posts to cover additional workload relating to Brexit, parliamentary reform and constitutional changes from the exercise of new powers.

Medium-term financial planning

46. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium term.

47. Rather than longer term planning, the SPCB focuses on more medium-term planning which covers the 2 year period to the end of the current Parliamentary

Session and has prepared budget estimates to the end of financial year 2020/21. These estimates reflect the expected impact of workloads of Brexit and future funding requirements. SPCB anticipates that its budgets for the remaining two years of the current parliamentary session will be set in line with the expected inflation rates.

Brexit, New Powers and Parliamentary Reform

48. The SPCB is currently facing a period of considerable change. Scrutinising the proposals for parliamentary reform, the potential implications of Brexit along with granting of additional powers to the Parliament by the Scotland Acts 2012 and 2016 has significantly increased workloads and placed additional pressures on its resources.

49. A great deal of uncertainty remains around the impact of Brexit on the parliament's scrutiny and legislative functions. As well as the extensive planning work being taken forward by the Constitutional Issues Board (CIB), there have been various research projects and inquiries carried out across the Parliament's Committees. The CIB established a timeline for its work up to 2022 and performed a capacity planning exercise in June 2017.

50. The SPCB's CIB also has strategic oversight of the June 2017 report of the Commission on Parliamentary Reform. This contains over 70 recommendations for improving the effectiveness of the Parliament that will complement other actions to meet the challenges of planning ahead for the uncertainties of Brexit and the responsibilities brought by additional powers.

51. The Commission on Parliamentary Reform recognised that some increase in resources would be necessary to implement its recommendations. For example, the creation of a Committee Engagement Unit and the facility for Committees to meet at the same time as the chamber is likely to have permanent resource implications. Part of the review is to agree the approach to reviewing the resources provided to support MSPs. The Presiding Officer supported by an MSP advisory group is planning to report on implementation of all recommendations by the end of 2018

52. Steps have been taken to provide for the he increased demand on the Parliament. The SPCB's budget for 2018/19 includes additional funding of £2.1 million to finance the appointment of 19 new members of staff to support the increased scrutiny and support requirements for constitutional change and Brexit. In addition, there has been an increase of £0.5 million in the central contingency budget (£1.5 million in 2017/18 and £1 million in 2016/17) and additional net resource demands of £0.25 million which could not be funded from planned efficiencies elsewhere in SPCB's overall budget.

53. We have concluded that the SPCB has been proactive in planning for the potential implications of Brexit, with extensive analysis and research continuing to be carried out by the CIB. The resulting pressures on available resources has been acknowledged and kept under review.

Part 4

Governance and transparency



Main judgements

SPCB has effective governance arrangements in place.

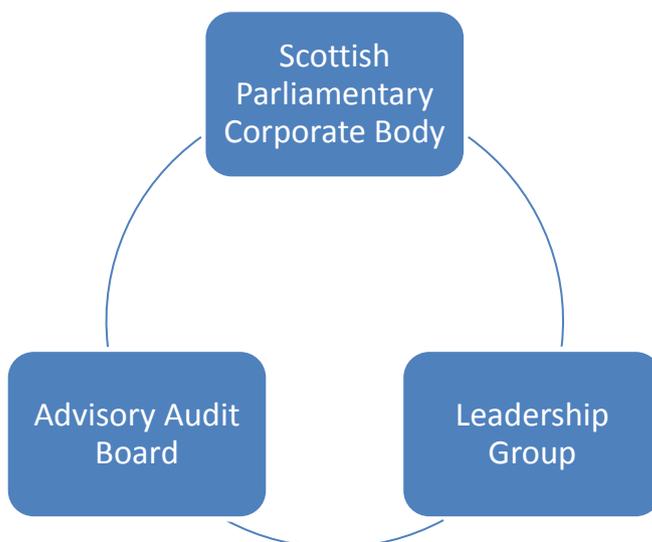
SPCB is open and transparent in the way it conducts its business. Transparency has been enhanced by publishing the minutes of the Advisory Audit Board on the SPCB website.

Governance arrangements

54. The SPCB was established in May 1999 under The Scotland Act 1998. Its governance structure is shown in [Exhibit 5](#).

Exhibit 5

SPCB governance structure



55. The SPCB comprises the Presiding Officer, and five other members of the Scottish Parliament elected by the Parliament. Its tasks are to ensure that the Parliament is provided, with the property, staff and services required for the Parliament's purposes.

56. The SPCB is supported in its role by the Advisory Audit Board (AAB). The Advisory Audit Board considers all matters of governance, audit, internal control, the assessment and management of risk, the planned activity of internal and external audit and the results of their work.

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.

57. The (AAB) met four times in 2017/18. Agendas follow a standard format and papers are circulated to members in advance, allowing adequate time for members to review. From attendance at the AAB, we are satisfied that members provide appropriate scrutiny and challenge of officers.

58. The Leadership Group (LG) is the SPCB's key management forum. The SPCB is responsible for setting the overall strategic direction and the Leadership Group is responsible for ensuring that the aims and objectives set by the members of the Corporate Body are achieved. The role of the LG includes monitoring performance against agreed objectives and ensuring that the statutory requirements for the use of public funds are complied with. The Leadership Group is supported in its work by a number of advisory boards.

59. We concluded that SPCB has appropriate governance arrangements which provide an effective framework for organisational decision making.

Transparency

60. Transparency means that the public have access to understandable, relevant and timely information about how the Corporate Body is taking decisions and how it is using resources such as money, people and assets.

61. The SPCB demonstrate a number of characteristics of openness and transparency including:

- making SPCB and LG papers and minutes available for review on its website
- making information on its performance available to the public
- including useful guidance on how to access information about the Parliament's activities on its website
- including details of the Parliament's members, information on their reimbursement of expenses claims and copy of their register of interest on its website.
- the financial statements provide an analysis of the categories of costs included within members expenses
- in 2018 SPCB has started publishing AAB's minutes and agendas on its website.

62. We concluded that the SPCB conducts its business in an open and transparent manner.

Internal audit

63. Internal Audit (IA) provides the Advisory Audit Board and the Principal Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes.

64. The SPCB's Internal Audit service is led by the Head of Internal Audit who works directly for the SPCB. He is supported by an external provider (Grant Thornton) who was appointed following open competition in June 2016 for an initial period of three years.

65. The Head of Internal Audit concluded in his 2017/18 annual report that substantial assurance can be taken from the areas reviewed in year, subject to the implementation of agreed actions.

66. We are required by International Auditing Standard 610 (Using the Work of Internal Auditors) to make an assessment of internal audit to determine the extent

to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

67. As part of our risk assessment and planning process we assessed the SPCB's Internal Audit function and concluded that it has sound documentation standards and reporting procedures in place. This enabled us to place reliance on the work of internal audit in terms of MSPs expenses and consider its work for our wider code responsibilities. We reported this to the Principal Accountable Officer in February 2018 and the Advisory Audit Board in March 2018.

Governance Statement

68. HM Treasury's Financial Reporting Manual (the FReM) states that SPCB must prepare an annual governance statement within the annual report and accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the governance statement and provides assurances around the achievement of the organisation's strategic objectives.

69. The SPFM does not prescribe a format for the annual governance statement but sets out minimum requirements for central government bodies. The process undertaken by management included conducting an assurance mapping exercise and working to an assurance plan that assessed the evidence underpinning the preparation of the governance statement.

70. We concluded that the 2017/18 governance statement complies with the guidance issued by the Scottish Ministers and, based on our knowledge and work performed, presents a comprehensive picture of governance arrangements and matters.

National Fraud Initiative

71. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

72. SPCB investigated matches and have not identified instances of fraud or error. NFI activity is summarised in [Exhibit 6](#).

Exhibit 6 NFI activity



466

Matches



46

Recommended
for investigation



466

Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

Standards of conduct for prevention and detection of fraud and error

73. We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook and Code of Conduct for Members. There are

established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

74. Based on our review of the evidence we concluded that SPCB has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

Cyber security and General Data Protection Regulations

75. As a part of our audit we carried out an overview of cyber-resilience arrangements at SPCB.

76. The SPCB has taken the positive step of assessing its processes against the Scottish Government's Public Sector Action Plan on Cyber Resilience and has been implementing a programme of focused cyber improvements. We have concluded that SPCB has a structured approach to cyber security and has actively strengthened its cyber resilience.

77. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. As a Regulation, all EU member states must implement it in the same way. GDPR sets out more requirements than the DPA and has introduced new and significantly changed data protection concepts.

78. GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and to decisions taken by automated processes. Failure to comply with new GDPR data handling arrangements could result in SPCB incurring significant fines.

79. Internal Audit has assessed the SPCB preparations for complying with GDPR and reported in March 2018, eleven specific actions which had to be completed by the 25 May deadline. Internal Audit has reported that all such actions have now been fully implemented.

National performance audit reports

80. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. In 2017/18 several reports were published which are of direct interest to the SPCB. These are outlined in [Appendix 2](#).

81. We would encourage SPCB to formally consider the findings of relevant Audit Scotland national performance reports and compare against local arrangements to take into account good practice examples or recommendations for improvement in practices.

Appendix 1

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 |
|--|--|--|
| Risks of material misstatement in the financial statements | | |
| <p>1 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>We examined journal entries.</p> <p>We reviewed accounting estimates.</p> <p>We focused testing of accruals and prepayments.</p> <p>We evaluated any significant transactions that are outside the normal course of business.</p> | <p>We have not identified errors or misstatements that would be a result of the management override of controls.</p> |
| <p>2 Risk of fraud over expenditure</p> <p>ISA 240 requires audit work to consider the risk of fraud over expenditure in any audit. The risk of fraud over expenditure applies to the SPCB due to the nature and extent of expenditure incurred in supporting members.</p> | <p>We performed variance analysis on the expenditure streams.</p> <p>We tested expenditure transactions in detail.</p> <p>We reviewed and reperformed work of the internal auditor on the MSPs expenses.</p> | <p>We have not identified any fraud or issues in this area.</p> |
| Risks identified from the auditor's wider responsibility under the Code of Audit Practice | | |
| <p>3 Information and Cyber Security</p> <p>In the past year public sector organisations in Scotland were subject to an increasing number of cyber-attacks. Successful cyber attacks can result in significant disruptions to operations, loss of data and reputational damage.</p> <p>In addition, the new General Data Protection Regulation (GDPR) becomes effective from 25 May 2018 and is more extensive in scope than the</p> | <p>We considered SPCB's arrangements in relation to the cyber-security.</p> <p>We monitored and assessed preparedness for complying with the requirements of the new General Data Protection Regulation and considered internal audit's report on this matter.</p> | <p>We are satisfied that the SPCB have been actively strengthening its cyber resilience defences and have made good progress in ensuring compliance with GDPR.</p> |

| Audit Risk | Assurance procedure | Results and conclusions |
|---|---|---|
| <p>current requirements of the Data Protection Act. Non compliance with the GDPR may result in financial penalties.</p> | | |
| <p>4 New powers and EU withdrawal</p> <p>The Scottish Parliament's powers are changing substantially as a result of both the Scotland Act 2012 and the Scotland Act 2016. Further new powers may follow, as consequence of the UK's withdrawal from the European Union. As well as increasing responsibility for raising revenues and social security, these new powers will also bring new opportunities and challenges.</p> <p>Future changes in the Parliament's powers may place additional pressures on the parliamentary service and there is a risk that the service lacks the capacity to ensure the provision of high quality support and resources to Members.</p> | <p>Review the work of the Constitutional Issues Board in managing the impact and preparedness for the implementation of the new powers.</p> <p>Continuing review of the reports to SPCB on the effectiveness of the mitigating actions aimed at managing the risk of the lack of capacity of the parliamentary service.</p> | <p>We monitored and discussed the arrangements for new powers and Brexit work. SPCB is proactive in planning ahead for the potential impact on its processes and resource capacity.</p> |

Appendix 2

Summary of national performance reports 2017/18

| | |  2017/18 Reports | |
|--|---|--|--|
| | | 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 | |

Relevant reports

[Managing the implementation of the Scotland Acts](#) – March 2018

Scottish Parliamentary Corporate Body

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk