

Crown Office and Procurator Fiscal Service

Annual Audit Plan 2023/24



Prepared for Crown Office and Procurator Fiscal Service

February 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 audit of the Crown Office and Procurator Fiscal Service (COPFS). The main elements of the audit include:

- evaluation of key controls within the main financial systems
- 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 the wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- provision of an Independent Auditor's Report expressing opinions on the different elements of the annual report and accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

Respective responsibilities of the auditor and COPFS

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

Auditor responsibilities

3. Our responsibilities as independent auditors 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.

4. 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 COPFS. In doing this, we aim to support improvement and accountability.

COPFS responsibilities

5. COPFS 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.

6. COPFS 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.

Communication of fraud or suspected fraud

7. In line with ISA 240, in presenting this plan to the Audit and Risk Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members of the Committee have any such knowledge or concerns relating to the risk of fraud within COPFS, we invite them to communicate this to the appointed auditor for consideration. Similar assurances will be sought as part of the audit completion process.

Adding Value

8. We aim to add value to COPFS by tailoring audit work to COPFS' circumstances and the audit risks identified, by being constructive and forward looking, by attending meetings of the Audit and Risk Committee and by recommending and encouraging good practice. In so doing, we will help COPFS promote improved standards of governance, better management and decision making and more effective use of resources.

Annual report and accounts

Introduction

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

10. As part of our audit we 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 in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, 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 plan our 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 as set out in [Exhibit 1](#). The materiality values for COPFS are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for COPFS

Materiality	Amount
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 COPFS operations. For the year ended 31 March 2024, we have set our materiality at 2% of gross expenditure based on the audited 2022/23 financial statements.	£3.7 million

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 70% of planning materiality. £2.6 million

Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements higher than the 'reporting threshold' amount. £185,000

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of COPFS, 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 committees, and 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 progress of 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 nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

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 position to perpetrate fraud because of management's ability to</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<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 inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Use data analytics to consider, identify and test journals at the year-end and

override controls that otherwise appear to be operating effectively.

post-closing entries and focus on significant risk areas.

- Consider the need to test journal entries and other adjustments during the period.
- Evaluate significant transactions outside the normal course of business.
- Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements.
- Assess any changes to the methods and underlying assumptions used to prepare significant accounting estimates compared to the prior year.
- Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.
- Focussed testing of accounting accruals and prepayments.

2. Estimation and judgement in the valuation of provisions and contingent liabilities

There is a significant degree of subjectivity in the measurement of material account areas of provisions and contingent liabilities. COPFS is required to assess and evaluate any legal cases against it at the time the annual accounts are signed by the Accountable Officer. It is essential that this is based on sound professional judgement and estimation. There is a risk of misstatement in the accounts over the completeness, accuracy, presentation, and disclosure of these items.

Assessment of all potential provisions together with assessing potential liability and likelihood of settlement. Information and supporting evidence for provisions are provided to finance by COPFS functions. Finance staff receive regular training to ensure knowledge of accounting standards is maintained.

- Review the information provided by legal counsel to assess for completeness.
- Obtain an understanding of management's involvement in the estimation process to assess if appropriate oversight has occurred.
- Critically assess the adequacy of the COPFS disclosures regarding the assumptions in relation to contingent liabilities.

Source: Audit Scotland

17. We did not identify any non-significant risks of material misstatement that require a specific audit response over and above our standard audit procedures.

18. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, 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.

19. We have rebutted this risk as 98% of COPFS income comes directly from the Scottish Government and can be readily agreed to third party confirmations. Other income streams are predictable such as the Legal Information Network for Scotland (LINETS) subscriptions and the annual recharge to the King's and Lord Treasurer's Remembrancer. As a result, there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

20. 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 relating to revenue recognition.

21. We have rebutted this risk for COPFS because there are limited opportunities or incentives to manipulate the way expenditure is incurred, with approximately 80% of expenditure processed through the payroll system. We also separately audit the provision in relation to ongoing litigation which is noted in [Exhibit 2](#) above. There are no significant welfare or grant payments made by COPFS.

22. Our audit testing is directed towards testing significant and unusual transactions and towards assessing accounting estimates to address any residual risk, as part of our standard fraud procedures. We have not, therefore, incorporated specific work into our audit plan in these areas in addition to our standard audit procedures.

Regularity

23. 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).

24. 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

Introduction

25. Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice sets out the four 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 for each wider scope area in audited bodies.

26. In summary, the four wider scope areas are:

- **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 COPFS is planning effectively to continue to deliver services, and comment on financial sustainability in the medium (two to five years) to longer term (longer than five years)
- **Vision, leadership, and governance** – we will conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by COPFS. We will also consider the effectiveness of the governance arrangements to support delivery
- **Use of resources to improve outcomes** – we will consider how COPFS demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risks

27. Our planned work on our wider scope responsibilities is risk based and proportionate. We have not identified any significant local wider scope audit risks for the 2023/24 audit of COPFS. Progress on previous years' recommendations will be followed-up with management during the course of the 2023/24 audit. This will include reviewing the findings from the Gateway Review of forensic pathology and mortuary services.

Duty of Best Value

28. [Ministerial Guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best

Value. We will follow up progress made in implementing the recommendation made in last year's Annual Audit Report.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

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

30. We will provide an independent auditor's report to COPFS, the Scottish Parliament and the Auditor General for Scotland setting out our opinions on the annual report and accounts. We will also provide COPFS 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.

31. [Exhibit 3](#) outlines the target dates for our audit outputs set by the Auditor General for Scotland. In determining the target reporting date, due regard is paid to the administrative date set by the Scottish Government for the consolidated accounts of 31 August 2024.

Exhibit 3 2023/24 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31 March 2024	7 February 2024
Interim Management Letter	N/A	8 May 2024
Independent Auditor's Report	31 August 2024	7 August 2024
Annual Audit Report	31 August 2024	7 August 2024

Source: Audit Scotland



32. This Annual Audit Plan, the other outputs detailed in [Exhibit 3](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

33. 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 timetable for the audit at [Exhibit 4](#) that has been discussed and agreed with management. Timeframes and logistics for the completion of the audit will be kept under review, and progress will be discussed with management and finance officers over the course of the audit.

Exhibit 4

Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	27 May 2024
Consideration of the unaudited annual report and accounts by those charged with governance	31 May 2024 (by email)
Latest date for final clearance meeting with the Director of Finance and Procurement	23 July 2024
Agreement of audited unsigned annual accounts Issue of Annual Audit Report including ISA260 report to those charged with governance	30 July 2024
Signed Independent Auditor's Report	7 August 2024

Source: Audit Scotland

Audit fee

34. In determining the audit fee, we have taken account of the risk exposure of COPFS and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The proposed audit fee for 2023/24 is £115,670 (2022/23: £109,190), an increase of 5.9%.

35. In setting the fee for 2023/24, we have assumed that COPFS has effective governance arrangements and will prepare a comprehensive and accurate annual report and accounts for audit in line with the agreed timetable. The audit fee also assumes there will be no major changes in respect of the scope of the audit during the year. Where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

36. It is the responsibility of COPFS to establish adequate internal audit arrangements. The Scottish Government's Directorate of Internal Audit and Assurance provides the internal audit function at COPFS. We have reviewed internal audit's plan as part of our planning process.

37. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

External audit team

38. There is a change in the engagement lead for the COPFS audit this year as Audit Director Brian Howarth is retiring. The engagement lead (i.e. appointed auditor) for the 2023/24 audit of COPFS is Rachel Browne, Audit Director. Rachel has over 25 years of public sector audit experience in central government, local government and NHS audits. She was previously the Senior Audit Manager for the COPFS 2015/16 audit. The incoming and outgoing engagement leads are holding handover discussions to ensure a smooth transition.

39. Zahrah Mahmood, Audit Manager and Maggie Bruce, Senior Audit Manager will continue to lead and manage the external audit team on a day-to-day basis.

Independence and objectivity

40. We are independent of COPFS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

41. 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.

42. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. We are not aware of any such relationships pertaining to the audit of the COPFS.

Audit quality

43. 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](#).

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

- ISQM (UK) 1 which 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 through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.
- ISQM (UK) 2 which 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, and the appropriateness of proposed audit opinions of high-risk audit engagements.

45. 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.

46. 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.

47. 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.

Crown Office and Procurator Fiscal Service

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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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